National Défense
Defence nationale

National Defence

Performance Report

For the period ending
March 31, 2007

Canada

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Minister's Message

As Minister of National Defence, I am honoured to present to Parliament the 2006–2007 Departmental Performance Report. This document provides a comprehensive overview of activities and expenditures for the reporting period of 2006–2007.

This has been an exciting and challenging year at National Defence, in which the Department and Canadian Forces continued their important work to protect Canadians at home, defend North America in cooperation with the United States, and defend Canadian interests abroad.

Here at home, we took the first steps in implementing our *Canada First* defence strategy by initiating a number of major acquisition projects that will enchance the mobility and deployability of the Canadian Forces. With the help of the $5.3 billion in new defence funding over five years announced in Budget 2006, Canada will acquire four strategic airlift aircraft and 17 tactical airlift aircraft, 16 medium- to heavy-lift helicopters, 2,300 new medium-sized logistics trucks and associated equipment, and three joint support ships. I am very proud to say that in August 2007, within about a year of announcing our initial plans to acquire a strategic airlift capability, our air force saw their first C-17 on the tarmac at 8 Wing Trenton. This is a perfect example of how we are working to get the Canadian Forces what they need, when they need it. The *Canada First* defence strategy will deliver a three-ocean navy, a robust army, a revitalized air force, and responsive special operations forces that will allow the Canadian Forces to provide more security at home and have a greater impact abroad.

Budget 2007, which was also tabled during the reporting period, reaffirmed the investments announced in Budget 2006 and moved $175 million from expenditures planned in 2009–2010 to the coming fiscal year to accelerate the implementation of the *Canada First* defence strategy.

In addition to acquiring new equipment, growing the Regular and Reserve forces remains one of our top priorities. Despite challenges, the Regular and Reserve forces each grew by approximately 1,000 personnel during the reporting period. This included a 53 percent increase in the number of clinical officers (physicians, nurses, dentists, pharmacists and social workers) on the Health Services Primary Reserve List.

Building on the strength of our defence relationship with Canada's most important ally, the United States, National Defence also began the process of implementing NORAD's new maritime warning function, which was established when the Agreement was renewed in perpetuity in May 2006. This new mission will enhance the ability of Canada and the US to track and respond to sea-borne threats before they reach the shores of our continent.

The ongoing mission in Afghanistan remained the primary operational focus of the Canadian Forces in 2006–2007. The approximately 2,500 CF members currently serving as part of Joint Task Force Afghanistan continue to play a key role in the NATO-led International Security Assistance Force mission, which is working to improve the security situation in Afghanistan and assist in rebuilding the country. We are making progress – unthinkable only a few years ago – which is a testament to the will and fortitude of the Afghan people, as well as the commitment and engagement of Canada and the rest of the international community. For example, the Canadian Forces' ongoing efforts to construct a new two-lane road linking the Panjwayi district with Highway One in the north will be a huge development for the area. It will allow farmers to transport their produce to bigger markets, doctors from the major urban centres to visit villages where there is no medical service, and police and army personnel to respond to crises where and when they arise. Our combat engineers have been working with local construction crews to build this road, while our soldiers have been working to protect them. This project represents just one of many signs of progress in Afghanistan that has been a direct result of Canadian involvement.

To protect our country, the Canadian Forces rely on the dedication and commitment of all members of the Defence team – both military and civilian. I am proud to lead this vital institution. I look forward to continuing my work with Canadians and Members of Parliament and the Senate to further enhance the Forces and provide ongoing support to our courageous men and women in uniform.

The Honourable Peter G. MacKay, PC, MP
Minister of National Defence

Management Representation Statement

I submit for tabling in Parliament, the 2006–2007 Departmental Performance Report (DPR) for the Department of National Defence.

This document has been prepared based on the reporting principles contained in the Guide for the Preparation of Part III of the 2006–2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports:

- it adheres to the specific reporting requirements outlined in the Treasury Board Secretariat (TBS) guidance;
- it is based on the department's approved Program Activity Architecture (PAA) as reflected in its Management, Resources and Results Structure (MRRS);
- it presents consistent, comprehensive, balanced and reliable information;
- it provides a basis of accountability for the results achieved with the resources and authorities entrusted to Defence; and
- it reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Robert Fonberg
Deputy Minister

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An electronic version of this report is available at:
http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2007/intro_e.asp

Note: Hyperlinks to supplementary information are embedded in the electronic version of this document.

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Section I: Departmental Overview

Raison d'être

The Defence Mission

The organizations of the Defence[1] portfolio (including but not limited to the Canadian Forces) have a mission to defend Canada and Canadian interests and values while contributing to international peace and security.

Under Canadian defence policy, the Canadian Forces have three roles:

- Protect Canadians at home and defend our sovereignty;
- Defend North America in co-operation with the United States; and
- Contribute to international peace and security.

The Defence Portfolio

The Defence portfolio is comprised of the Department of National Defence (DND) and the Canadian Forces (CF). The CF is comprised of Environmental Commands (Maritime Command, Land Forces Command, Air Command), Operational Commands (Canada Command, Canadian Expeditionary Force Command, Canadian Special Operations Forces Command, Canadian Operational Support Command) and a Functional Command (Military Personnel Command). The Defence Portfolio also includes a group of related organizations and agencies, including the Communications Security Establishment (CSE) and Defence Research and Development Canada (DRDC).

The CF also maintain the following:

- A police service, comprising the Military Police and the National Investigation Service, operating under the technical supervision of the Canadian Forces Provost Marshal;
- A military justice system administered under the superintendence of the Judge Advocate General;
- Chaplaincy services;
- Extensive communications networks in Canada and abroad;
- Firefighting services;
- Medical and dental services for CF members, who are excluded from both the *Canada Health Act* of 1984 and the Public Service Health Care Plan;
- Youth programs, specifically the Canadian Cadet Program and the Junior Canadian Rangers;

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[1] The Department of National Defence (DND), the Canadian Forces (CF) and the organizations and agencies that make up the full Defence portfolio are collectively referred to as Defence.

- The Canadian Defence Academy;
- The Canadian Forces Grievance Authority;
- The Canadian Forces Housing Agency; and
- The Canadian Forces Personnel Support Agency.

Defence also includes the following organizations that report directly to the Minister of National Defence:

- The Office of the Judge Advocate General;
- The Office of the Ombudsman for the Department of National Defence and the Canadian Forces;
- The National Search and Rescue Secretariat; and
- The Office of the CSE Commissioner.

The *National Defence Act* establishes DND and the CF as separate entities operating in close co-operation under the authority of the Minister of National Defence. As well as the *National Defence Act*, the Minister of National Defence is responsible for the administration of the statutes, regulations and orders listed at Appendix C. The *National Defence Act* also establishes a Deputy Minister who is responsible for policy, resources, interdepartmental co-ordination and international defence relations, and designates the Chief of the Defence Staff, the senior serving officer of the CF, as the person "… who shall, subject to the regulations and under the direction of the Minister, be charged with the control and administration of the Canadian Forces."[2]

The Canadian Forces Grievance Board and the Military Police Complaints Commission report to the Minister of National Defence although they are not part of the Department of National Defence. This reporting arrangement and organizational status are designed to ensure accountability while maintaining the arm's-length relationship required to prevent conflicts of interest.

Specific accountability for results and associated performance measurement areas at the level of the Assistant Deputy Ministers and the Environmental Chiefs of Staff are set out in detail in the Defence Plan. The National Defence Headquarters organization chart is found in Section III.

Key Partners and Stakeholders

Defence works with many Canadian and international partners that help support its mission, programs and activities. The broad scope of the Defence mandate is reflected in the complexity and diversity of its partners and stakeholders, listed in Appendix B.

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[2] National Defence Act, Article 18(1)

Departmental Resources

Defence used the PAA structure for the first time throughout the entire fiscal year 2006–2007. A considerable amount of effort was expended to operationalize Defence's PAA. Changes were made, for example, through the following:

- educational initiatives, such as presentations to DND/CF personnel including Senior Level Business Planners and Comptrollers;
- planning initiatives, by structuring business planning financial information according to the PAA structure;
- process oversight, by refining original Cost Centre and project attributions to the PAA sub sub activities and tracking any subsequent Senior Level attribution changes;
- process management, by defining a process for creating new cost centres and refining the attribution process; and
- technical enhancements, by developing the Financial Decision Support software with Defence's Finance and Corporate Services Group to extract and report financial data according to the PAA structure.

Despite the progress made, given the size and complexity of Defence, there is room for improvement. As the PAA matures, Defence expects to encounter new challenges with adapting the planning processes and creating the internal competencies and external comprehension to implement the MRRS policy within Defence. Through the collaborative efforts of the key internal and external stakeholders, Defence has confidence that the efforts made to implement the PAA will ensure that we are reporting results and spending to enhance accountability and transparency to Canadians.

Total Financial Resources for Fiscal Year 2006–2007

($ Thousands)	Planned Spending 2006–2007	Total Authorities 2006–2007	Actual Spending 2006–2007
Departmental Spending	$15,463,816	$15,922,439	$15,682,631
Capital Spending (included in departmental spending)	$2,499,609	$2,513,788	$2,382,630

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Human Resources

	Planned 2006–2007	Actual 2006–2007
Military (Regular Force) [4]	63,461	63,779[1]
Civilian	24,169	24,419[2]
Total[3]	**87,630**	**88,198**

Notes:

1. Actual FTE count is based on the approved PAA and reported according to the three Program Activities for Defence.
2. Some of the FTEs in the missing cost centres have been accounted for by estimating the FTEs in these areas and attributing them to Generate and Sustain Integrated Forces. These FTE numbers are derived from a representative financial formula, as there is no consistent 1:1 relationship between FTEs and programs.
3. A breakdown of FTEs by Program Activity can be found in Section III: Tables 17, 18 and 19.
4. Class C Reserve numbers are not included in 2006–2007 Military (Regular Force) planned and actual figures. For information on the Reserve Strength see Section II, page 41.

Sources: Vice-Chief of the Defence Staff Group, Chief Military Personnel Group and Assistant Deputy Minister – Human Resources (Civilian) Group

Departmental Performance

The effectiveness by which Defence utilized its resources for the 2006–2007 DPR was assessed through an assembly of Level 1[3] organizations performance information/systems as well as a central Performance Management Framework consisting of a Balanced Scorecard that is maturing over time. Each Level 1 organization uses a sign-off process based on their areas of responsibility in submitting their respective performance information for the DPR, which undergoes central staff review to ensure consistency. During fiscal 2006–2007, the department continued to ensure that resources were allocated based upon current priorities and requirements. While current operations remained the number one priority, any additional resources made available through programme adjustments were assigned using the department's Programme Management Board governance process. In addition, Defence tracked its corporate strategic objectives through the Balanced Scorecard that is reviewed by senior management at regular intervals throughout the fiscal year.

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[3] Refers to Assistant Deputy Ministers and Environmental Chiefs of Staff

Status on Departmental Performance

Strategic Outcome: Canadians' Confidence that DND and the CF have relevant and credible capacity to meet defence and security commitments.				
Alignment to Government of Canada Outcomes: Social Affairs – Contributes to safe and secure communities; International Affairs – Contributes to a strong and mutually beneficial North American partnership.				
			2006-2007	
Status on Performance			**Planned Spending**	**Actual Spending**
Program Activity – ***Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces***	**Corporate Priority [1]:** Transform and Modernize the CF • *(New)* Adopt a fully integrated and unified approach aligning force structure to ensure operational effectiveness. Key initiatives include the development of Canada COM), six Area Joint Task Forces, CEFCOM, CANSOFCOM, CANOSCOM, MILPERSCOM, a Strategic Joint Staff, a Rapid Reaction Force, Mission Specific Task Forces and a managed readiness system to enhance its ability to generate and deploy integrated forces; and • *(Ongoing)* Adopt an integrated and strategically driven force development framework and process, including expanding the Regular and Reserve forces, ensuring they are well trained and well equipped, and developing a diverse and highly motivated Defence Team. Foster Management Excellence in the Defence Institution • *(New)* Enhance strategic investment planning* and accelerate the activities of procurement reform**; and • *(New)* Ensure successful implementation of modern comptrollership initiatives* and the *Public Service Modernization Act**.	**Performance Status:** **Exceeded Expectations** Note: See pages 8, 19-20 and 24-30 for the result discussions in the document. **Successfully Met** Note: See pages 13-16, 19-20 and 30-47 for the result discussions in the document. **Successfully Met*** and **Not Met**** Note: See pages 20-21 and 47-55 for the result discussions in the document. **Exceeded Expectations*** Note: See page 21 for the result discussions in the document.	$12,561,091	$12,452,034

<table>
<tr><td colspan="5">Strategic Outcome: Success in assigned missions in contributing to domestic and international peace, security and stability.</td></tr>
<tr><td colspan="5">Alignment to Government of Canada Outcomes: Social Affairs – Contributes to safe and secure communities; International Affairs – Contributes to a safe and secure world through international cooperation and a strong and mutually beneficial North American partnership.</td></tr>
<tr><td colspan="3"></td><td colspan="2">2006-2007</td></tr>
<tr><td colspan="3">Status on Performance</td><td>Planned Spending</td><td>Actual Spending</td></tr>
<tr><td>Program Activity
<i>Conduct Operations</i></td><td>Corporate Priority [1]:
Protect Canadians through the Conduct of Operations
• <i>(Ongoing)</i> Conduct operations at home and abroad; and
• <i>(Ongoing)</i> Enhance operational partnerships with other government departments, key security agencies and allies.</td><td>Performance Status:
Exceeded Expectations Note: See pages 19 and 55-64 for the result discussions in the document.
Exceeded Expectations Note: See pages 19 and 55-64 for the result discussions in the document.</td><td>$1,974,706</td><td>$2,355,403</td></tr>
</table>

<table>
<tr><td colspan="5">Strategic Outcome: Good governance, Canadian identity and influence in a global community.</td></tr>
<tr><td colspan="5">Alignment to Government of Canada Outcomes: Economic Affairs – Contributes to an innovative and knowledge-based economy; Social Affairs – Contributes to a vibrant Canadian culture and heritage; and International Affairs – Contributes to a safe and secure world through international cooperation and a strong and mutually beneficial North American partnership. Government Affairs - Contributes to a lesser degree to this Government of Canada outcome area.</td></tr>
<tr><td colspan="3" rowspan="2">Status on Performance</td><td colspan="2">2006-2007</td></tr>
<tr><td>Planned Spending</td><td>Actual Spending</td></tr>
<tr><td>Program Activity
<i>Contribute to Canada and the International Community</i></td><td>Corporate Priority [1]:
Contribute to the International Community in Accordance with Canadian Interests and Values
• <i>(Ongoing)</i> Expand strategic partnerships with key security departments and other government departments and agencies; and
• <i>(Ongoing)</i> Continue to strengthen defence and security arrangements with the United States to enhance domestic and continental security, and with Canada's allies to enhance international security.</td><td>Performance Status:
Exceeded Expectations
Note: See pages 21-22 and 64-70 for the result discussions in the document.
Exceeded Expectations
Note: See pages 21-22, 70-72 and 80-83 for the result discussions in the document.</td><td>$928,019</td><td>$875,194</td></tr>
<tr><td colspan="5">Note:
1. A "cross walk" table showing the relationship between Corporate Priorities for Defence and Program Activities can be found on page 23.</td></tr>
</table>

Source: Vice-Chief of the Defence Staff Group

Summary of overall performance

During fiscal 2006–2007 National Defence has been very active in accomplishing its mission " To Defend Canada and Canadian interests and values while contributing to international peace and security". A summary of the results in achieving the mission along three Program Activities follows.

Generate and Sustain Relevant, Responsive, Effective Combat-Capable Integrated Forces

During fiscal 2006–2007, Defence was able to sustain the operational tempo for both planned and contingency operations at appropriate readiness levels and generate surge forces to meet unexpected demands. As part of CF Transformation, Defence stood up two Regional Task Forces – Atlantic and Pacific providing Canada with a navy capable of operating off the East and West coasts as well as the Arctic. Furthermore, the nuclei of Territorial Defence Battalion Groups have been established across Canada. The air force continued to provide the military aerospace power to defend Canada and North America, and to deploy alongside allies and coalition partners.

Defence, through the Canadian Special Operations Forces Command (CANSOFCOM), developed the capability to rapidly deploy joint formations, an immediate response capability and mission specific task forces capable of acting alone or in support of Canada COM, CEFCOM, or allied forces.

The CF continuously sustained a combat-effective, sustainable armed force and provided approximately 2,500 CF members, including 300 Class C Reservists, on two rotations to the NATO Joint Task Force in southern Afghanistan for a total of approximately 5,000 CF members.

The ability to generate and sustain high-readiness forces to meet defence and security commitments required Defence not only to create a responsive organizational structure but also provide the support capability to develop and sustain an effective, professional Defence team. These objectives were met through many initiatives undertaken to recruit and retain military members. Defence also responded to the recommendations made by the Standing Committee on Public Accounts (SCOPA) on military recruitment and retention. Recruitment efforts are also underway to align the growth of the civilian workforce with departmental strategic priorities.

The need to give our troops the tools they require to fulfill their missions, to protect them from harm and be interoperable with our closest allies — particularly the US and the North Atlantic Treaty Organization (NATO) alliance — defined the requirement for capital acquisitions. Many new projects were initiated or progressed, during the reporting year, to modernize and transform the CF. Detailed information on this capability program can be found in Section II – Analysis of Program Activities by Strategic Outcomes.

Conduct Operations

Defence met the requirement to conduct operations effectively at home and abroad by providing efficient, professional maritime, land, air and special operations forces, supported by many partners and agencies.

Defence conducted operations to detect, deter, prevent, pre-empt and defeat threats and aggression aimed at Canada and North America while maintaining ready duty ships, high readiness aircraft, immediate response units and two Maritime Security Operation Centres. Defence maintained constant situational awareness through the Joint Information and Intelligence Fusion Capability (JIIFC) project. The JIIFC project made significant progress during fiscal 2006–2007 towards defining the CF command and control requirements for the fusion of operational information. The Communications Security Establishment (CSE) also supported government policy-making and protected Canadians by providing key departments with foreign signals intelligence that contributed to operations and enhanced constant situational awareness of the defence, security and international affairs environments.

During fiscal 2006–2007, over 8,700 search and rescue operations were conducted in cooperation with other government departments, of which 1,268 incidents involved the tasking of CF resources in 2006[4]. CF operations also consisted of humanitarian assistance and intense planning during flood and forest fire relief operations.

Defence contributed to Canadian sovereignty in the North by bolstering the surveillance and response capabilities in the region, maintaining a presence on the ground and in the air, and by continuing to enhance the CF's maritime presence.

The CF actively participated in a variety of international missions and operations during fiscal 2006–2007. The CF engaged in 21 distinct international missions ranging from peace keeping operations in the Democratic Republic of Congo, Sudan, Sierra Leone, Cyprus, several in the Middle East, Bosnia Herzegovina and maritime missions in both international and continental theatres. Canada's contribution to the international campaign against terrorism in Afghanistan remained the primary operational focus of the Canadian Forces. As part of a "whole of Government" approach to Afghanistan, Defence worked hand-in-hand with other government department partners and the NATO ISAF mission to further overall Canadian and international community objectives. These included, for example, assisting the extension of Afghan Government authority, developing the security structures needed to maintain security without assistance of international forces, and contributing to the development of a stable and secure environment where sustainable development and reconstruction can take hold. Canada's military efforts were principally focused in Kandahar Province, where the CF were responsible for disrupting Taliban sanctuaries, lines of communication and leadership effectiveness. Canadian efforts considerably lowered the threat against Kandahar City and have brought rejuvenated commerce and community to the Panjwayi and Zhari Districts, assisted the resettlement of internally displaced people, improved road networks, and facilitated a number of DFAIT and CIDA projects in the south. CF Operational Mentoring Liaison Teams were also highly successful, as evidenced by the rapid integration of the first Afghan National Army battalion into ISAF security operations.

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[4] Year end figure based on SARSUMS reports for December 31, 2006

Contribute to Canadian Government and Society, and the International Community, in Accordance with Canadian Interests and Values

Defence provided advice to the Government of Canada on a wide range of security and defence issues; exploited opportunities to form and improve strategic partnerships with an array of government departments and international allies; strengthened Canada's defence relationship with the United States, including the renewal in perpetuity of the NORAD Agreement; and contributed to Canada's academic community through the Security and Defence Forum. Defence also continued to contribute to Canadian society through its research and development program, and as one of the country's largest employers. In addition, Defence contributed to Canadian society through regional industrial benefits arising from a wide variety of procurement projects and other investments. During fiscal 2006–2007, DND and the CF also made a significant contribution to global security, especially in Afghanistan, the primary focus of CF deployed operations.

Influences on Departmental Performance

A number of internal and external factors influenced Defence performance during fiscal 2006–2007.

External Factors

International Security Environment

The international security environment in 2006-2007 remained complex and unpredictable. While the likelihood of major inter-state wars remained low, the requirement for the international community to monitor and respond to regional flashpoints in the Middle East, Africa, South Asia and East Asia persisted. Failed and failing states continued to fuel regional instability. Although anti-terrorism operations have disrupted the leadership of al-Qaeda, international terrorism has evolved into a global movement of militant Islamic groups and individuals, and will remain a serious threat for many years to come. Terrorist groups continue to reach out to new recruits, and the radicalization of homegrown extremists is an increasingly dangerous threat. The possibility that terrorists will obtain and use weapons of mass destruction also remains a major security concern. The international security situation has also been affected by tension over the nuclear programs of North Korea and Iran.

Changing Socio-politico-economic Conditions at Home and Abroad

Throughout fiscal 2006–2007, the global economy continued to grow, especially in the developing world. Many countries experienced an increasing demand for commodities such as oil and gas that pushed prices up. Soaring energy prices increased the operating costs of organizations around the world, including armed forces, while producing windfall profits for supplier states. Ethnic and religious tensions continued to plague many states.

Internal Factors

Significant internal factors included: the new money allocated to Defence in Budget 2006; government initiatives to improve efficiency throughout the bureaucracy; the continuation of efforts to transform and modernize the CF; and various evaluations and recommendations from committees of Parliament and the Auditor General.

The Defence Budget

Budget 2006 increased allocations to Defence by $5.3 billion over five years. The accompanying Budget Plan contained several specific DND/CF initiatives, including the following: improve base infrastructure and housing; acquire the equipment needed to support multi-role, combat-capable maritime, land and air forces; increase the capacity of the CF to protect Canada's Arctic sovereignty and security; and start establishing reserve based Territorial Defence Battalion Groups for home defence. Budget 2007, which was also tabled during the reporting period, confirmed the Defence investments announced in Budget 2006 and moved $175 million from the 2009–2010 spending plan to the 2007–2008 spending plan to accelerate implementation of the *Canada First* defence strategy.

BUDGET 2006 AND BUDGET 2007 DEFENCE FUNDING ALLOCATIONS ($ MILLIONS)

	2006–2007	2007–2008
Budget 2006:		
Canada First	400	725
RCAF Memorial Museum	1	0
Budget 2006 Allocation	401	725
Budget 2007:		
Canada First	0	175
Total Budget 2006 and 2007 Allocation	**$401**	**$900**

Source: Vice Chief of the Defence Staff Group

The Budget 2006 funding for fiscal 2006–2007 was allocated to:

- increase operating budgets for training and operational readiness, including funding for priorities such as fuel and utilities, and infrastructure maintenance and repair.
- increase support to operations in Afghanistan, with the majority of this amount allocated to spare parts, repairs and other critical supply activities.
- correct shortages of critical supplies and repair services in all areas of the CF. This funding helped DND meet availability targets for some critical fleets and prolonged the sustainability of existing capabilities.
- cover the launch of work related to the *Canada First* initiatives for defence of and assertion of sovereignty in the Arctic, the establishment of territorial defence battalions and other *Canada First* projects such as the acquisition of C17 aircraft.

Budgetary control for these projects is achieved through the use of an expense ceiling. The annual expense ceiling is based on accrual expenses rather than cash expenditures.

Capital projects funded from Budget 2005 and Budget 2006 resources are purchased using "investment cash". The expenditure of "investment cash" is a cash expenditure but not an accrual expense. As a result, "investment cash" expenditures do not count as expenses against the Department's in-year budgetary ceiling. Rather, the charge against the expense ceiling is amortization expense.

In keeping with this two-pronged approach, (modified cash and accrual) to fiscal control and reporting, this Departmental Performance Report will present information on planned and actual spending for fiscal 2006–2007 in two separate tables located in Section III – Table 1a – Comparison of Planned to Actual Spending (Including Full-Time Equivalents) and Table 1b - Comparison of Planned to Actual Spending (Cash Appropriation and Accrual Basis).

Management of budgetary financing (accrual expensing) for specific new capital equipment and infrastructure projects funded in Budget 2005 and Budget 2006 continued to evolve through analysis of lessons learned in the execution of the projects.

Interdepartmental consultations and working groups with staff from the Treasury Board Secretariat and the Department of Finance continued the development of the reporting and governance guidelines associated with budgetary financing.

Effect of Government Efficiency Initiatives on Sustainability

Two significant Government of Canada efficiency initiatives continued to reduce the effective net increase in Defence funding. In particular, the Expenditure Review Committee (ERC) and Procurement Program Reform (PPR) initiatives effectively reduce total allocations beginning in fiscal 2005–2006 and continuing for several years. Implementing these programs has been challenging, and DND is now managing the impact on operational sustainability of existing systems because the funding provided for expansion and new equipment was directed to specific procurements or activities. The net result for fiscal 2006–2007 was a *reduction* of 23 percent in the planned increase to general sustainability funding.

The following table summarizes the net effect of the Budget 2005 and Budget 2006 sustainability increases, and the application of the ERC and PPR reductions to Defence.

Effect of ERC and PPR on Operational Sustainability Funding From Budget 2005 and Budget 2006 ($ Millions)

	2006–2007
Budget 2005: Operational Sustainability	500
Budget 2006: Operational Sustainability (proposed for fiscal 07–08 and beyond)	148
Less: Defence reductions called for by ERC and PPR	(150)
Net allocation to Sustainability	**$498**

Source: Vice Chief of the Defence Staff Group

Expenditure Management Review

Defence complied fully with the ERC program, and only $20 million of the total Defence reduction target of $203 million remains to be allocated internally to the appropriate Assistant Deputy Ministers and Environmental Chiefs of Staff. The Assistant Deputy Minister (Information Management) is responsible for the final reduction of $20 million, which was specifically targeted in the IT Infrastructure Support Outsourcing category with phased reductions scheduled to begin in fiscal 2007–2008. All other ERC reductions were included in the forecast allocations, up to and including the steady-state reductions directed to begin in fiscal 2009–2010. The forthcoming assignment of the final $20 million reduction (steady-state value as of fiscal 2009–2010) will be the last of the ERC reductions.

Expansion of the CF

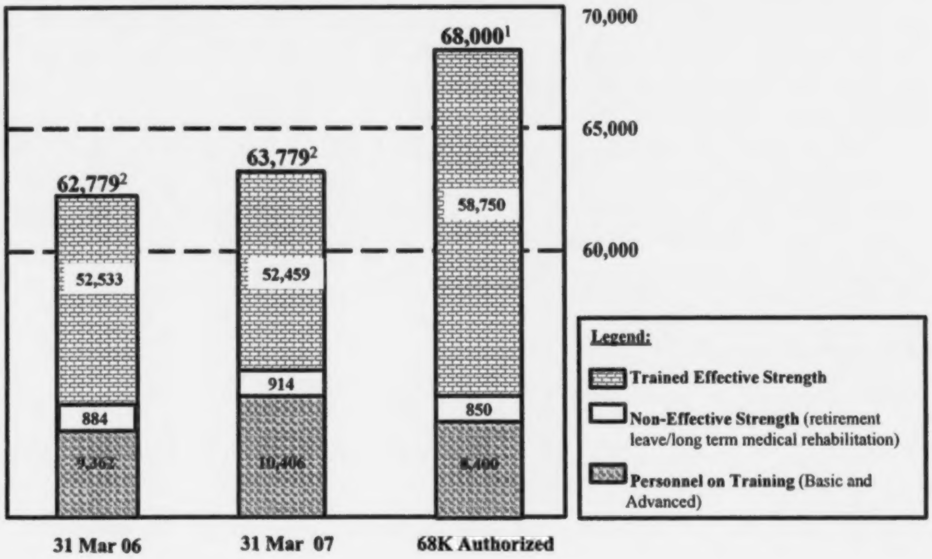
As part of Budget 2006, the Government of Canada announced its intention to increase the size of the Canadian Forces by 13,000 Regular Force personnel and 10,000 Reservists. This would result in an end state of 75,000 Regular Force members and 35,000 Primary Reservists paid strength.

The initial plan for the first phase was to grow the Regular Force to 70,000 and Reserve Force paid strength to 30,000 over five years. However, following a detailed analysis of the resources required to fund all Defence initiatives announced under Budget 2006, sustain the operational commitments in Afghanistan, prepare for Olympics 2010 and support CF transformation, the expansion was re-profiled to 68,000 Regular Force and 26,000 Primary Reserve paid strength by fiscal 2011–2012, adding one year to the program.

Regular Force

The authorized target of 68,000 is predicated on a personnel attrition rate of about 6.1 percent. As the CF must operate under an establishment ceiling of 68,000 all ranks, any sustained increase in the attrition rate will require increased numbers in the training category, which would result in a lower sustainable manning strength.

FIGURE 1: 2006–2007 REGULAR FORCE EXPANSION — ANNUAL STRENGTH REPORT



Notes:

1. Total strength was selected as the best indicator of personnel growth. It includes about 1,100 personnel on leave without pay or in detention.
2. The authorized target of 68,000 is defined in terms of average monthly paid strength.

Data Source: ADM (IM)/DHRIM monthly reports (Note: The timing of data extracts may cause data to vary slightly from CMP/PARRA numbers)

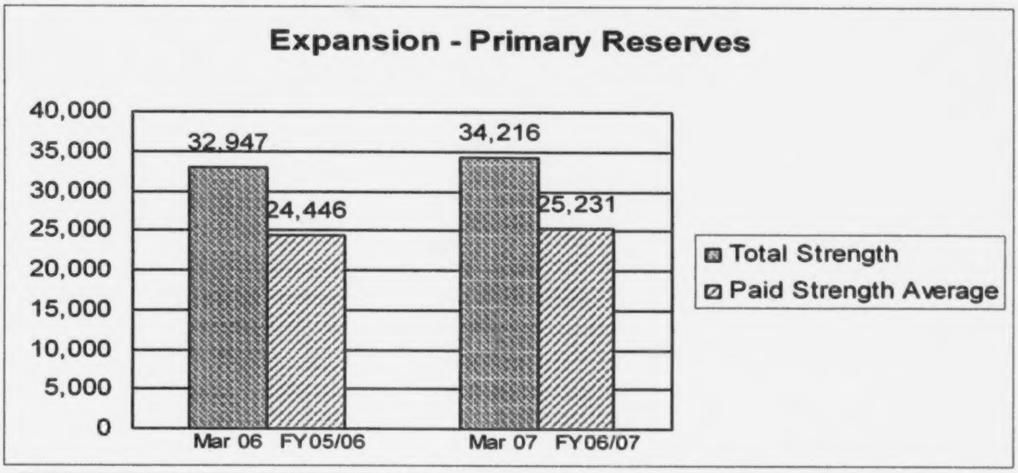
Most new recruits are currently in the training system. Depending on entry program and military occupation, they are expected to be fully employable within the next two to five years.

Although external recruiting targets for fiscal 2006–2007 were exceeded, attrition exceeded projections and CF strength consequently did not increase as expected. In summary, 37 out of 83 targeted occupations achieved growth, six remained neutral, and 40 lost more personnel than they recruited. In order to sustain Joint Task Force Afghanistan, the CF recruited in advance of future years for the army combat arms, especially the Infantry and Armoured occupations, and consequently these two occupations were responsible for a significant proportion of overall net growth. Retention and recruiting efforts achieved encouraging progress with the Medical Officer, Medical Technician, Electrical and Mechanical Engineer, and Combat Engineer occupations, all of which had been identified as "stressed". Should attrition continue at the elevated levels seen in fiscal 2006–2007, this will further limit the ability of the CF to achieve its in year goals with respect to the average paid strength.

Reserve Force

Figure 2 compares total strength and paid strength in the Reserve Force and shows the growth achieved during fiscal 2006–2007. To meet the requirements of CF expansion, the targets set out in the 2006–2007 Report on Plans and Priorities were revised, and the new Reserve Force interim target is a paid strength of 26,000 by March 31, 2008. Sustainment of Joint Task Force Afghanistan required an increase in the number of Reservists employed on Class C contracts during the reporting period. Most of the growth in Total Strength occurred in the Army Reserve.

FIGURE 2: FISCAL 2006–2007 RESERVE FORCE EXPANSION — ANNUAL STRENGTH REPORT



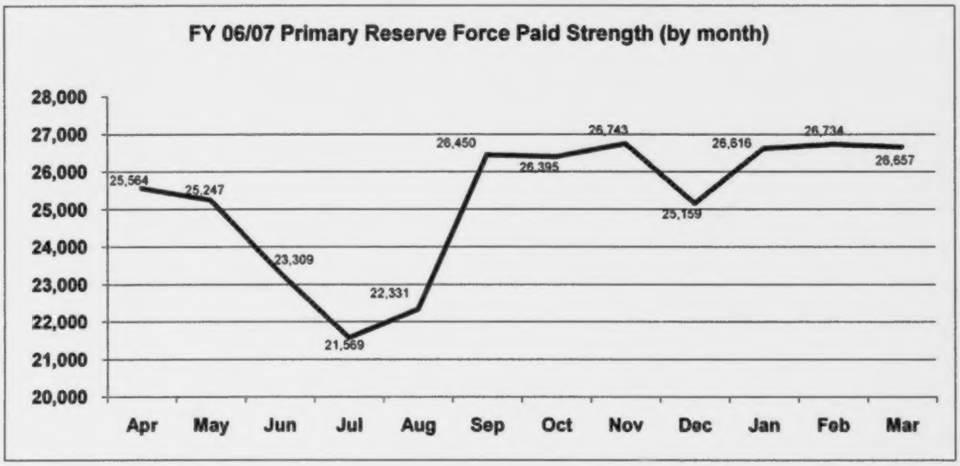
Notes:

1. The Total Strength figure is calculated from Primary Reserve pay records and includes personnel on Class C status.
2. Paid Strength is an annual monthly average derived from monthly pay statistics that include personnel on Class C status.
3. The paid strength average for fiscal 2005–2006 was derived by adding personnel on Class C status in the CF Regular Force pay system (monthly average) to the number in the 2005–2006 Departmental Performance Report.

Source: ADM (Fin CS) Revised Pay System for the Reserves (RPSR) monthly records as of April 2007.

Figure 3 demonstrates the need to represent Reserve Force strength in terms of a monthly average, as it fluctuates significantly from month to month.

FIGURE 3: FISCAL 2006–2007 PRIMARY RESERVE PAID STRENGTH (BY MONTH)



Notes:

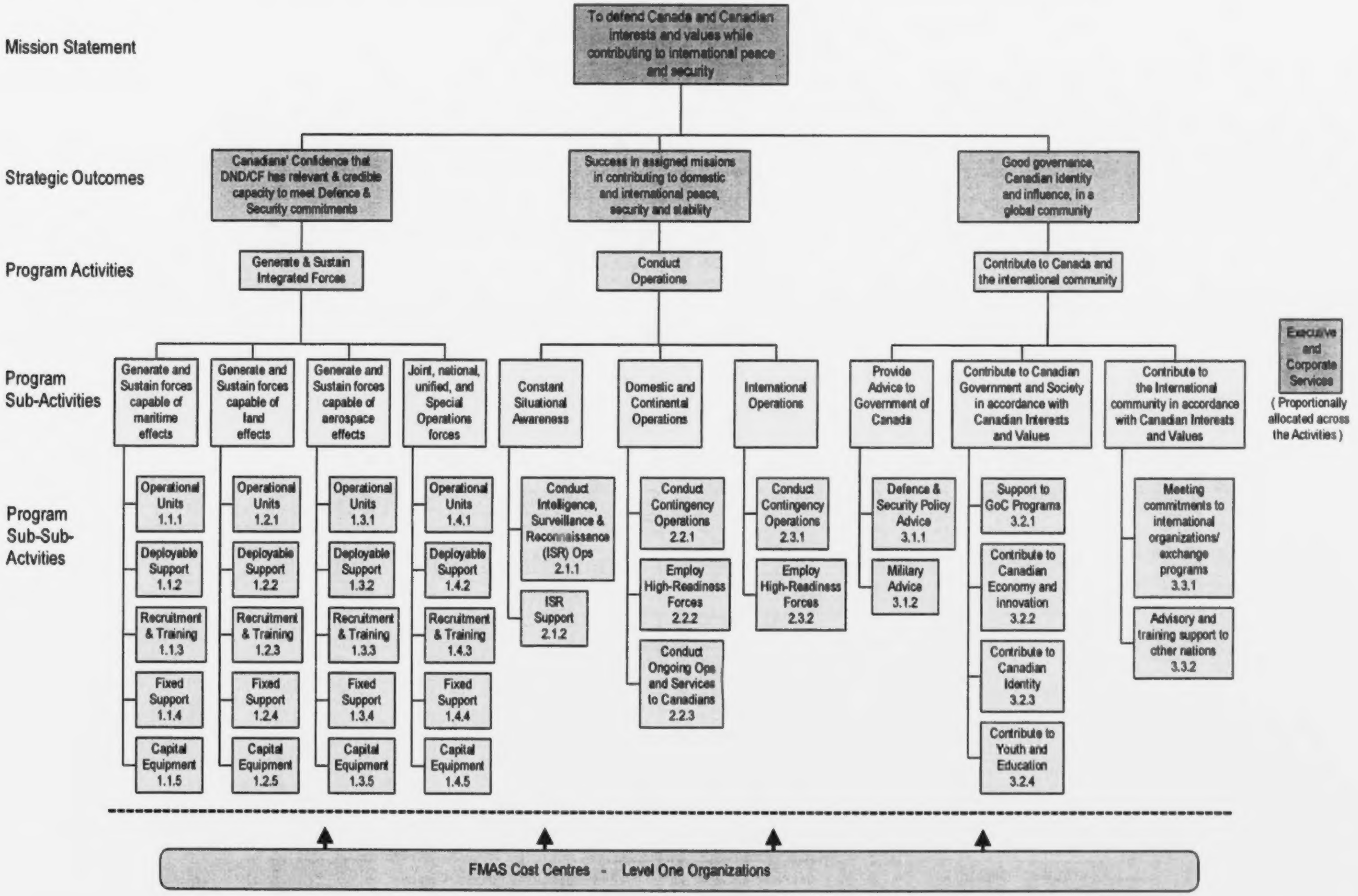
1. Data collected on a monthly basis. Fluctuation in July due to temporary suspension of Reserve training and parading at local units during summer months. Fluctuation in December due to Holiday leave period.
2. The Class C figures were extracted from the April to July 2006 section of the CMP PARRA database and the ADM(IM) DHRIM reports for Aug 2006 to March 2007.

Source: ADM(Fin & CS)/DSFC RPSR report, April 1, 2007

Audit and Parliamentary Committee Evaluations and Recommendations

During the reporting period, three chapters of reports from the Office of the Auditor General that included recommendations directed at DND and the CF were tabled in Parliament. The implementation of responses to the Auditor General recommendations will improve the efficiency and effectiveness with which Defence is able to recruit, retain, train and move CF members. Further details can be found in Section II under Standing Committee on Public Accounts and in Section III - Table 13: Response to Parliamentary Committees, and Audits and Evaluations.

Department of National Defence - Program Activity Architecture (PAA)


Mission Statement
To defend Canada and Canadian interests and values while contributing to international peace and security
Strategic Outcomes
Canadians' Confidence that DND/CF has relevant & credible capacity to meet Defence & Security commitments
Success in assigned missions in contributing to domestic and international peace, security and stability
Good governance, Canadian identity and influence, in a global community
Program Activities
Generate & Sustain Integrated Forces
Conduct Operations
Contribute to Canada and the international community
Program Sub-Activities
Generate and Sustain forces capable of maritime effects
Generate and Sustain forces capable of land effects
Generate and Sustain forces capable of aerospace effects
Joint, national, unified, and Special Operations forces
Constant Situational Awareness
Domestic and Continental Operations
International Operations
Provide Advice to Government of Canada
Contribute to Canadian Government and Society in accordance with Canadian Interests and Values
Contribute to the International community in accordance with Canadian Interests and Values
Executive and Corporate Services
(Proportionally allocated across the Activities)
Program Sub-Sub-Actvities
Operational Units 1.1.1
Deployable Support 1.1.2
Recruitment & Training 1.1.3
Fixed Support 1.1.4
Capital Equipment 1.1.5
Operational Units 1.2.1
Deployable Support 1.2.2
Recruitment & Training 1.2.3
Fixed Support 1.2.4
Capital Equipment 1.2.5
Operational Units 1.3.1
Deployable Support 1.3.2
Recruitment & Training 1.3.3
Fixed Support 1.3.4
Capital Equipment 1.3.5
Operational Units 1.4.1
Deployable Support 1.4.2
Recruitment & Training 1.4.3
Fixed Support 1.4.4
Capital Equipment 1.4.5
Conduct Intelligence, Surveillance & Reconnaissance (ISR) Ops 2.1.1
ISR Support 2.1.2
Conduct Contingency Operations 2.2.1
Employ High-Readiness Forces 2.2.2
Conduct Ongoing Ops and Services to Canadians 2.2.3
Conduct Contingency Operations 2.3.1
Employ High-Readiness Forces 2.3.2
Defence & Security Policy Advice 3.1.1
Military Advice 3.1.2
Support to GoC Programs 3.2.1
Contribute to Canadian Economy and innovation 3.2.2
Contribute to Canadian Identity 3.2.3
Contribute to Youth and Education 3.2.4
Meeting commitments to international organizations/ exchange programs 3.3.1
Advisory and training support to other nations 3.3.2
FMAS Cost Centres - Level One Organizations

DDM 5 - 27 Jan 06

Link to the Government of Canada Outcome Areas

Defence contributes actively to all four key Government of Canada policy areas. The table below shows which National Defence Strategic Outcomes contribute to the various Government of Canada outcome areas. Additional details on Defence contributions can be found in Canada's Performance and within this report.

GOVERNMENT OF CANADA STRATEGIC OUTCOMES	**DEFENCE STRATEGIC OUTCOMES**		
Legend: ■ = *Primary contribution* ◘ = *Secondary contribution*	Canadian's confidence that DND and the CF have relevant, credible capacity to meet defence and security commitments	Success in assigned missions in contributing to domestic and international peace, security and stability	Good governance, Canadian identity and influence in a global community
ECONOMIC AFFAIRS			
Income security and employment for Canadians	◘		
An innovative and knowledge-based economy	◘		■
A clean and healthy environment	◘		
SOCIAL AFFAIRS			
Healthy Canadians	◘		
Safe and secure communities	■	■	◘
A diverse society that promotes linguistic duality and social inclusion	◘		◘
A vibrant Canadian culture and heritage			■
INTERNATIONAL AFFAIRS			
A safe and secure world through international cooperation	◘	■	■
Global poverty reduction through sustainable development		◘	
A strong and mutually beneficial North American partnership	■	■	■
A prosperous Canada through global commerce	◘		
GOVERNMENT AFFAIRS			◘

Source: Vice-Chief of the Defence Staff Group

Corporate Priorities

In fiscal 2006–2007, Defence established priorities to guide its initiatives in response to the government's agenda. These four priorities were aligned to the program activities and set the tone for the transformation challenges facing the department.

Protect Canadians through the Conduct of Operations

The CF fulfilled their mandate to conduct operations overseas, especially in Afghanistan. Although there was a high level of effort involved in carrying out this major commitment at a consistently high operational tempo, the Land Force maintained the ability to react effectively to any domestic situation that required a military response. Because of the significant increase in the ratio of soldiers to sailors and air personnel in Joint Task Force Afghanistan, the army is less able to maintain a balance of priorities between operations, CF Transformation initiatives, and sustainment activities. However, throughout the reporting period, air force and the navy formations continued to conduct sovereignty patrols and maintain units on stand-by for continental defence.

Defence is fully committed to the integrated "whole of government" approach to deployed operations. Formal procedures and arrangements exist to coordinate most interdepartmental issues. Defence also made progress to streamline coordination with its partners in areas such as evacuation of non-combatants and disaster relief. That noted, some interdepartmental arrangements remain *ad hoc*. A staff paper identifying a strategic framework for DND/CF engagement with other government departments is being developed to strengthen co-operation and coordination.

The CF continue their active engagement with Canada's allies through bilateral and multilateral organizations such as NATO, the UN and NORAD.

Transform and Modernize the CF

Transformation of the CF is proceeding as planned. In the face of high operational tempo, the high departmental priority placed on transformation has energized commanders and staffs to proceed with fundamental changes to concepts, practices, structure, and in the end, culture. The two main force-employment commands — Canada COM and CEFCOM — are focusing respectively on major operations at home and on missions overseas; employing daily more integrated teams of Regular, Reserve and civilian personnel from all occupations and environments together on the same mission; and reacting more quickly to new threats and natural disasters.

The simultaneous CF actions to maintain a major mission in Afghanistan, assist the DFAIT evacuation operations in Lebanon in the summer of 2006, and support Public Safety Canada's enhancements to security of maritime approaches to Canada are visible results of transformation.

CANSOFCOM developed the capability to deploy joint formations rapidly, an immediate response capability, and the capability to deploy mission specific task forces as directed by the Chief of the Defence Staff. These forces can act alone or in support of Canada Command, CEFCOM, or allied forces.

During the reporting period, the Canadian Operational Support Command (CANOSCOM) enhanced operational support capabilities of the CF by standing up engineer support groups and Military Police support units for deployed operations.

While work on the integrated force development process is ongoing, there are indications that the process will reduce redundant development, develop greater interoperability of CF components and increase sustainability of deployed forces. The Reserve Force has successfully developed a plan to better fit the efforts and capabilities of its members in the Integrated CF. This new concept of employment and service should begin to prove its worth in the coming year.

Defence Battalion Groups

As part of the overall CF expansion outlined in Budget 2006, four new rapid reaction battalion groups were to be created. An analysis of the feasibility of establishing these groups is ongoing. Preliminary work has also begun in select locations across Canada to enhance the CF's ability to support local first responders to domestic crises through the establishment of territorial defence battalion groups. The establishment of these groups was also identified in Budget 2006.

Capability-Based Planning

While measurable progress has been made toward the institutionalization of capability-based planning (CBP), achievement of this goal requires several more years of work. The force employment scenarios for which force structures will be developed have been defined, and DND expects to finish assessing the Future Security Environment and Strategic Operating Concept documents during the next planning period.

Foster Management Excellence in the Defence Institution

Strategic Investment Planning

The work of Chief of Force Development in the production of the strategic direction and outlook for the Department over the long-term, through the use of capability-based planning and scenario development, has enhanced the development of strategic investment planning within the department. As a result, Chief of Programme has initiated activities that will re-develop the current Defence Plan into a ten-year strategic-level investment plan. This concept was developed to more effectively bridge the short-term requirements and management of defence resources toward the longer-term goals of new capability development, including the divestment or re-investment in current capabilities. In particular, two of the key development areas for the new investment plan have been the management and allocation of accrual budgeting resources and the focus placed upon the resources needed to sustain capabilities for their entire life cycles.

The development work for the investment plan provided an improved framework for senior-level decision-making. The programmatic activities associated with developing the plan have allowed senior departmental decision makers to better examine the affordability and achievability of major programme decisions and to better quantify the trade-offs or re-investment required for key initiatives.

Modern Comptrollership

In June 2004, the Deputy Minister issued a directive on strengthening accountability and comptrollership that gave managers and leaders at all levels clear guidance and direction on management practices and controls, stewardship of resources, probity, and fiduciary responsibilities. Each November since then, the comptrollers of all the Groups and Commands at National Defence Headquarters have given an update on implementation of the directive in their organizations. November 2006 was the final formal update, but informal oversight will continue.

Public Service Modernization Act

At the end of 2005, the final piece of legislation related to the *Public Service Modernization Act*, the *Public Service Employment Act* (PSEA), came into force. The PSEA made sweeping changes to civilian recruitment and staffing to facilitate workforce renewal and, although Defence has successfully implemented several of these changes, the real challenge lies in changing the Defence culture sufficiently to achieve full integration. For much of fiscal 2006–2007, Defence efforts to implement the PSEA focused on educating human resources staff at all levels.

Procurement Program Reform

The Procurement Program Reform initiative of Public Works and Government Services Canada reported that Defence could save 12 to 15 percent on non-specialized procurements, making funds available for allocation to other government priorities. The following table summarizes the amounts to be "harvested" from Defence:

PPR Reduction in Defence Funding ($ Millions)		
	2005–2006	**2006–2007**
Reduction in Defence allocations	(19.7)	(62.3)
Note: The program reduction for the out years has yet to be determined.		

Source: Vice Chief of the Defence Staff Group

So far, the commodity teams from Procurement Program Reform have been unable to realize the forecast savings. This fact was acknowledged and partially corrected by the in-year reduction of the target assigned to Defence for fiscal 2006–2007 from $86.2 million to $62.3 million.

Contribute to the International Community in Accordance with Canadian Interests and Values

Defence continued to be a key instrument of government policy, responding to Canada's immediate security needs and shaping an international environment that reflects Canadian values and interests.

During the reporting period, DND and the CF worked closely with their counterparts in the United States to ensure the defence of North America. In the Americas, Canada continued to promote hemispheric security through participation in the Conference of Defence Ministers of the Americas, the Inter-American Defence Board, and the multinational effort against drug trafficking in the Caribbean region and on the Pacific coast. Overseas, CF members served on operations with the UN, NATO, and different coalitions formed to bring security to places as diverse as Afghanistan, Bosnia-Herzegovina, Sudan and the Middle East.

Relationship Between Corporate Priorities for Defence and Program Activities

The following "crosswalk" table was developed to show the relationship between Defence's corporate priorities and program activities. This link ensures that high-level performance measurement and resource information for corporate priorities and related initiatives are reported through the program activities.

	PROGRAM ACTIVITIES			
CORPORATE PRIORITIES 2006-2007	GENERATE AND SUSTAIN INTEGRATED FORCES	CONDUCT OPERATIONS	CONTRIBUTE TO CANADA AND THE INTERNATIONAL COMMUNITY	TYPE OF PRIORITY
Protect Canadians through the Conduct of Operations				
• Conduct operations at home and abroad; and		■	□	O
• Enhance operational partnerships with other government departments, key security agencies and allies.		■	□	O
Transform and Modernize the CF				
• Adopt a fully integrated and unified approach aligning force structure to ensure operational effectiveness. Key initiatives include the development of Canada COM), six Area Joint Task Forces, CEFCOM, CANSOFCOM, CANOSCOM, MILPERSCOM, a Strategic Joint Staff, a Rapid Reaction Force, Mission Specific Task Forces and a managed readiness system to enhance its ability to generate and deploy integrated forces; and	■	□	□	N
• Adopt an integrated and strategically driven force development framework and process, including expanding the Regular and Reserve forces, ensuring they are well trained and well equipped, and developing a diverse and highly motivated Defence Team.	■			N
Foster Management Excellence in the Defence Institution				
• Enhance strategic investment planning and accelerate the activities of procurement reform; and	■			N
• Ensure successful implementation of modern comptrollership initiatives and the *Public Service Modernization Act.*	■		□	N
Contribute to the International Community in Accordance with Canadian Interests and Values				
• Expand strategic partnerships with key security departments and other government departments and agencies; and		□	■	O
• Continue to strengthen defence and security arrangements with the United States to enhance domestic and continental security, and with Canada's allies to enhance international security.		□	■	O
Legend: O = Ongoing N = New ■ = Primary □ = Secondary				

Section II: Analysis of Program Activities by Strategic Outcome

Generate and Sustain Relevant, Responsive, Effective, Combat-Capable Integrated Forces

In general, the CF was able to respond well to all assigned missions, both international and domestic and gave Canadians confidence that DND and the CF have relevant and credible capability to meet Defence and security commitments.

Noticeable improvements are taking place throughout the CF. The land, maritime and air forces implemented new initiatives to enhance productivity. These included mitigating personnel shortfalls through increased use of Reservists and DND civilians, exploring joint and amphibious warfare concepts, and creating an Air Force Strategy Paper and the CF Aerospace Doctrine. Current and planned capital acquisition projects will also serve to improve force protection and enhance CF mobility and deployability.

The following highlights Defence's accomplishments in the "Generate and Sustain Integrated Forces" program activity during fiscal 2006–2007.

Resources Consumed

Financial Resources

($ Thousands)	**Planned Spending 2006–2007**	**Total Authorities 2006–2007**	**Actual Spending 2006–2007**
Departmental Spending	$12,561,091	$12,566,967	$12,452,034
Capital Spending (included in departmental spending)	$2,290,763	$2,261,026	$2,139,798

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Human Resources

	Planned 2006–2007	**Actual 2006–2007**
Military (Regular Force)	56,890	56,484
Civilian	20,370	22,309
Total	77,260	78,793
Note: For information on the Reserve Strength see Section II, page 41.		

Sources: Vice-Chief of the Defence Staff Group, Chief Military Personnel Group and Assistant Deputy Minister – Human Resources (Civilian) Group

Generate and Sustain Integrated Operational Forces Capable of Maritime Effects

During fiscal 2006–2007, the navy successfully executed its mission to generate and maintain combat-capable, multi-purpose maritime forces for employment at home and abroad, meeting all operational commitments. This included maintaining a ready duty ship on both coasts and a Composite Contingency Task Group at the required readiness levels 24 hours a day, seven days a week. The navy defended the nation by safeguarding and upholding sovereignty in Canada's three ocean approaches through Defence's support to other government departments, including the completion of 171 sea days of maritime security patrols, 112 sea days of fishery patrols, and 47 sea days of counter drug operations. A sustained presence in Arctic waters, consisting of 68 sea days, was also maintained.

Global maritime security was maintained through command of NATO Standing Naval Maritime Group One and HMCS *OTTAWA*'s deployment to the Gulf region with a US Expeditionary Strike Group. The navy also progressed constant situational awareness, maintaining an interagency Maritime Security Operations Center 24/7 on both coasts, and conducted integrated tactical effects experiments related to littoral manoeuvre.

Standing Contingency Force - Integrated Tactical Effects Experiment

In November 2006, the navy conducted the Integrated Tactical Effects Experiment (ITEE) with the participation of more than 1,000 CF members. The ITEE included a naval task group of HMCS *ATHABASKAN*, *HALIFAX*, *PRESERVER* and *WINDSOR*; an air expeditionary unit of CH-124 Sea King helicopters and CP-140 *Aurora* maritime patrol aircraft; and a landing force comprising soldiers from the Royal 22e Régiment. Support was provided from the United States Navy, consisting of mentors and the participation of USS *GUNSTON HALL*, a Whidbey Island-class amphibious ship, and USS *DOYLE*, an Oliver Hazard Perry-class frigate.

The ITEE helped the CF assess the challenges associated with developing a maritime expeditionary force. Due to operational and fiscal pressures, work on the SCF has been stood down. CMS, supported by CLS and CAS, will continue, however, to sponsor the development of operational and tactical joint littoral manoeuvre integrated effects and amphibious warfare concepts through the CF Maritime Warfare Centre.

Generate and Sustain Integrated Operational Forces Capable of Land Effects

Throughout the reporting period, Land Force Command (LFC) continued to produce a combat-effective, sustainable Land Force delivering focussed, integrated, strategically relevant, operationally responsive and tactically decisive land effects.

During the reporting year, two rotations of approximately 2,100 soldiers, totalling 4,200 or 21 percent of the army's total strength throughout the reporting year, played a vital role on the international scene by leading the NATO Joint Task Force into southern Afghanistan, in a UN-mandated mission conducted at the request of the Afghan government. This mission is being conducted primarily by army forces, augmented by navy and air force personnel, through the semi-annual generation of high-readiness task forces. However, this impressive strategic contribution to international security was made possible only by surpassing the capacity of LFC to generate substantial forces at home. Thus, conducting major operations in Canada will be challenging, and will remain so until our commitment in Afghanistan is progressively reduced or concluded.

CF Operations, Transformation, Expansion and Sustainment

LFC intends to expand aggressively to improve its force-generation base, making it more adaptable to other CF elements and capable of generating integrated land effects. As a result of attrition and the personnel demands of transformation, the size of the army stayed the same during fiscal 2006–2007. CF Transformation initiatives shifted a significant number of recruits from the army to other Environmental Commands, and LFC will carry the resulting imbalance between operations, transformation and sustainment into fiscal 2007–2008.

Attrition is most pronounced in the specialized military occupations, and the lack of personnel to replace deployed technicians has caused equipment maintenance deficiencies. The Chief of the Defence Staff (CDS) mitigated the shortfalls by authorizing units to replace deployed Regular Force personnel with Reservists and Defence civilians.

The nuclei of Territorial Defence Battalion Groups have been established across Canada.

During fiscal 2006–2007, 3,900 Army Reservists — just short of 23 percent of the Army Reserve establishment of 16,973 — were deployed, or working full-time to replace Regular Force personnel. This situation created unit-level leadership gaps in the Reserve that must be monitored closely to ensure that Reserve units remain capable of generating forces.

Generate and Sustain Integrated Operational Forces Capable of Aerospace Effects

The air force continued to carry out its responsibility for the development of military aerospace power to defend Canada and North America, and to deploy on operations with allies and coalition partners.

Versatile, highly skilled personnel continue to be the source of air force agility and responsiveness. Defence aims to maintain a highly skilled workforce that is large enough to support and sustain its assigned missions. Sufficient progress toward that objective was made, especially with air technician training, to ensure that production capacity matches requirement; to increase system productivity; and to foster the professional development of serving technicians. These efforts are also enhancing the capability of the Canadian Forces School of Aerospace Technology and Engineering (CFSATE) into the modern training world through the use of learning technology such as modeling and simulation to improve the efficiency of resource use.

During fiscal 2006–2007, Defence developed the Air Force Strategy (to be published in the fall of 2007), which explains how the work of a wide variety of organizations in and external to the air force will be co-ordinated in the following areas: human resources; research and development; infrastructure and organization; concepts, doctrine and collective training; information management; and equipment, supplies and services. Using the subject breakdown of the Air Force Strategy, Defence has begun identifying where and when additional resources will be required. This information has been incorporated into the Campaign Plan.

A component of the Air Force Strategy, the Campaign Plan lists the activities that will translate the strategic intent into the synchronized delivery of aerospace power. Development of the Campaign Plan has helped the air force improve the management of its priorities in generating and sustaining aerospace capabilities. Under the Campaign Plan, significant effort has gone into preparations for the introduction over the next few years of several new aircraft types, including the CC-177 Globemaster strategic transport, the tactical airlift and medium-heavy-lift helicopters.

The initial cadre of pilots, loadmasters, maintenance and mobile air movements personnel for the CC-177 Globemaster completed training with the United States Air Force (USAF) in March 2007. To further develop and enhance CF CC-177 capabilities, these pilots, loadmasters and maintenance personnel will remain with the USAF for on-job-training. Training for the rest of the CC-177 Globemaster personnel is continuing and is scheduled to coincide with the delivery of the remaining three aircraft.

Planning to acquire new fixed-wing search and rescue aircraft will slow down to allow the air force to complete the incorporation of the CC-177 Globemaster, the tactical airlift and medium-heavy-lift helicopters. Since domestic search and rescue is a top air force priority, the CC-130 Hercules and CC-115 Buffalo will remain in the inventory and be assigned to new capabilities once the new fixed-wing SAR aircraft arrives.

The Canadian Forces Aerospace Warfare Centre (CFAWC), which stood up in October 2005, has become the air force engine of concept development, experimentation, and dissemination of doctrine and lessons learned. A major milestone was achieved when CFAWC delivered the CF Aerospace Doctrine, which was published in February 2007.

Generate and Sustain Joint National, Unified and Special Operations Forces

Canada Command

The primary objective of Canada Command and its Regional Joint Task Forces (RJTFs) is ensuring preparedness to handle domestic and continental defence and security requirements.

Canada Command Headquarters stood up on February 1, 2006 with 91 military personnel and 20 civilians. Canada Command will evolve as its relationship with strategic-level structures matures, and will therefore take some time to achieve final form. As a result of the high operational tempo and high demand for experienced personnel, Canada Command operated during the reporting period with 90 percent of its personnel establishment. The RJTFs received additional resources, but they are likely to need more personnel if they are to carry out their force employment responsibilities.

Within its area of responsibility, Canada Command achieved its defence objectives through surveillance and control of Canadian territory. Working with other government departments, Canada Command satisfied a wide range of requests for military assistance and support; for example, support to the RCMP included 660 CH146 Griffon flying hours used in drug interdiction operations that resulted in seizures of assets worth about $177 million.

Canada Command Headquarters also reinforced its relationship with its American counterpart headquarters, United States Northern Command (USNORTHCOM). Liaison officers were exchanged to facilitate operations, exercises and planning. Working closely with USNORTHCOM and NORAD, Canada Command contributed to the ongoing development of the NORAD maritime warning mission.

Canadian Expeditionary Forces Command

Canadian Expeditionary Forces Command Headquarters (CEFCOM HQ) was expected to increase significantly in both size and capability during fiscal 2006–2007, but it remains at initial capability level because the resources required for growth went into other CF transformation projects. Key areas of improvement included the Command Centre and personnel management. The capacity of the headquarters to deal with some functions continues to be limited, and will evolve in accordance with requirements.

Nevertheless, CEFCOM commanded and conducted all international CF operations during fiscal 2006-2007. The CF engaged in 21 diverse missions outside North America ranging from humanitarian assistance such as supporting DFAIT with the evacuation of more than 15,000 Canadian citizens from Lebanon to combat missions in Afghanistan, in concert with international partners. Additional information can be found later in this chapter under "International Operations".

Canadian Special Operations Forces Command

Canadian Special Operations Forces Command (CANSOFCOM) is a standing integrated force that generates a broad spectrum of agile special operations forces capable of strategic and precision effects at high readiness. Its self-contained, comprehensive nature ensures that it responds immediately to threats at home and abroad.

CANSOFCOM produces area-focussed, task-tailored special operations task forces to deliver its mission requirements. CANSOFCOM's operational units use state-of-the-art equipment and are fully trained in special operations techniques and counter-terrorism measures. Training and development of chemical, biological, radiological and nuclear (CBRN) response capabilities continued primarily through the Joint Nuclear, Biological and Chemical Defence Company (JNBCD Coy), as part of the National CBRN Response Team. Before acceptance into CANSOFCOM units, CF members undergo a strict physical and psychological screening.

During the reporting period, CANSOFCOM increased its capabilities by establishing elements of the Canadian Special Operations Regiment, including a large portion of the HQ and support elements and the first Direct Action Company, and assuming operational control of 427 Special Operations Aviation Squadron. As part of CANSOFCOM global response, the squadron is a critical member of the integrated counter-terrorism operations team, and a key element of deployed special operations forces capability.

Canadian Operational Support Command

During the reporting period, Canadian Operational Support Command (CANOSCOM) launched several initiatives to enhance operational support capabilities; for example, the stand-up of the Operational Support Engineer Group (OS Engr Gp) and the transfer of 1 Engineer Support Unit to this new formation from the Canadian Forces Joint Support Group. The OS Engr Gp will co-ordinate the generation of general engineering support teams from across the army, navy and air force, a process that used to be done in an *ad hoc* manner for each requirement. CANOSCOM also established the Operational Support Military Police Group to co-ordinate the generation of military police units for deployed operations. This initiative included the stand-up of the initial cadre of the Canadian Forces Protective Services Unit charged with providing close protection teams for military personnel travelling in high-threat areas.

Integrated Managed Readiness System

In the face of high operational tempo and in order to support the transformation objectives of delivering a more strategically relevant, operationally responsive and tactically decisive CF, considerable effort was made in fiscal 2006–2007 to bring into existence an Integrated Managed Readiness System (IMRS). The CF will leverage existing Environmental, Senior Management and Operational Commands readiness reporting processes, and introduce ways and means of articulating and answering strategic level readiness information requirements. A CF IMRS will directly support both the force employer who determines mission requirements and force generators who provide well prepared, equipped and motivated forces, all of which must be managed through a system that enables the CDS to consider operational demand as measured against Government objectives, and Departmental and CF priorities, capacities and sustainability.

The navy executed the Naval Readiness and Sustainment (R&S) process and developed supporting plans to ensure an effective, affordable and sustainable operational capability. The R & S policy focused on the generation and maintenance of combat-capable multi-purpose maritime forces to meet Canada's defence capability requirements.

The navy successfully generated ships to the required readiness levels to meet all operational commitments and ready duty ship assignments and Composite Contingency Task Group requirements throughout the year. With the exception of Standing NATO Maritime Group 1 (SNMG 1) deployed IROQUOIS Class ships, all High Readiness ships achieved less than the desired number of sea days due to resource constraints. Standard Readiness ships were able to meet the desired number of sea days.

The LFC Managed Readiness Plan has proven to be a flexible tool providing direction and predictability to all levels of command. It allowed LFC to plan, prepare and sustain its substantial commitment to Afghanistan, as well as identify LFC assets that would be available for domestic and contingency operations. A study on integrating the Army Reserve into the LFC Managed Readiness Plan is presently under way.

Air Command worked with the Strategic Joint Staff on an Integrated Managed Readiness System for the entire CF, and the air force readiness system has already been changed to align it with the CF and NATO systems. The Air Force Managed Readiness System is a cycle of force generation, employment (including periods of high readiness) and reconstitution that each squadron and wing passes through to reduce stress on personnel and equipment and to allocate time and resources for training, build-up and recovery.

During the reporting period, the air force generated expeditionary capabilities for the fighter force apportioned to the NATO Reaction Force, the tactical aviation force, the maritime helicopter force and the long-range patrol force. The high-readiness forces assigned to tactical air mobility, tactical uninhabited air vehicles and tactical support were generated, and are now deployed with Joint Task Force Afghanistan. Resource constraints and the high operational tempo make sustainment of a wide variety of expeditionary capabilities difficult.

Air Command also managed the readiness of search and rescue assets to ensure that the level of service met the requirements of the national SAR program.

Support Capability

Develop and Sustain an Effective, Professional Defence Team

Support to deployed operations is the top priority of Canadian Operational Support Command (CANOSCOM). When CANOSCOM became operational on February 1, 2006, an immediate review was conducted of areas where support to deployed operations must be improved. Two initiatives were identified: improve visibility of materiel in transit between Canada and Afghanistan by means of radio frequency identification (RFID), and implement teleradiology in deployed hospitals to allow medical support from Canada. The RFID project achieved initial capability within six months of initiation, and lessons learned have been incorporated into the second phase, which is to expand the use of RFID to other areas of the supply chain. The teleradiology project is also successful, and physicians in Canada can now view X-ray plates in Afghanistan and help deployed physicians diagnose and treat soldiers in theatre.

New capabilities introduced to the Joint Task Force Afghanistan (JTF Afg) during the reporting period included the Leopard I C2 main battle tank, which provides more protection for troops engaged in combat missions or operating where they are likely to encounter Taliban forces. An armoured engineer squadron and artillery assets were added to JTF Afg to increase mobility and firepower. New vehicles with anti-mine protection were delivered to theatre during the reporting period as a result of lessons learned and growing understanding of the threat environment.

Military Personnel

Recruitment and Retention

Force expansion has presented the training system with capacity and scheduling challenges that have produced a larger than usual number of Personnel Awaiting Training (PATs) — on average, 750 at any given time during the reporting period. In the past, the time spent waiting for training was very unproductive, and discouraged many recruits from pursuing a military career. During the reporting period, the Post Recruit Training and Education Centre (PRETC) at the Canadian Forces Support and Training Group (CFSTG) established and staffed nine full-time equivalent positions to manage the PAT program — an increase that was compromised by difficulties encountered in recruiting Reservists and by the loss of Regular Force personnel who were posted out without replacement. The shortage of staff placed tremendous stress on the remaining employees and significantly hindered program delivery. Nevertheless, PRETC worked hard to find innovative and rewarding ways to employ recruits waiting for occupational training. CFSTG used the CF Tasking Plans Operations system to find employment opportunities of a year or more where PATs could be rotated, thus not only creating meaningful employment for PATs but also making an eager workforce available to support operational units, Basic Military Qualification courses, occupational training, pre-deployment training, and various operational support tasks. PATs were also heavily involved with *Operation CONNECTION* in support of Joint Task Force Central and Land Forces Central Area. Second language training was introduced to narrow the language gap for unilingual francophone recruits. A focus on maintaining fitness and general military skills had a positive impact on success rates in occupational training. The new CF Fitness Policy was applied firmly throughout the training system, to both staff and students, with excellent results.

These efforts to make the time waiting for training more interesting and productive have resulted in generally high morale among the troops, but the constant extremely heavy workload is bringing training staff to the point of exhaustion.

The Canadian Defence Academy (CDA) adopted the campus concept as another step in its campaign to reduce duplication of effort and improve service. CFB Borden adopted central control of training plan managers, quality assurance of qualification standards, and all distance-learning technology. Implementation of centralized scheduling continued, although technical support issues have delayed installation of the scheduling software in the Training Establishment and Resource Management Scheduling System.

Defence requires a fair and effective performance evaluation procedure to motivate, provide performance feedback, recognize exceptional performance and provide developmental opportunities, at both the individual and team level. The task of revising the CF Personnel Appraisal System was assigned to the Succession Planning and Careers Project late in the fiscal year. Due to lack of resources, no progress has been made yet.

DND reorganized military occupations as "group occupations" and common or generic jobs into career fields to broaden individual opportunities for career development and meet operational requirements. During fiscal 2006–2007, more than 32 Occupational Analyses were conducted across functional employment areas (e.g., navy, army, air force, operational support), producing recommendations for changes to occupational structures that are suitable for near-term implementation by the sponsors. MOSART implemented nine other occupational structures based on analyses conducted during fiscal 2005–2006.

In October 2006, the CF introduced a personnel-tracking policy requiring the assembly and monitoring of a single, complete, central record of each CF member's "time away", defined as a 24-hour period when, for service reasons, members cannot return to their normal residence — i.e., where they normally sleep. The tracking system now includes the two forms of "time away" that were not previously captured in personnel records: Temporary Duty and Unit-Generated Activities.

Health and Wellness

Mental Health Care: The Canadian Forces Health Group continued to implement its new mental health care model. Of the planned increase of 218 mental health professionals, Defence added 85 military and civilian personnel during the reporting period, and 40 to 50 human resource requests were in process at fiscal year-end.

Preliminary results from the Enhanced Post-deployment Screening of CF members returning from service on *Operation ARCHER* with Joint Task Force Afghanistan showed that many were already receiving care when they were interviewed (on average, 161 days after return). Those not receiving care were referred for further evaluation and treatment as appropriate. This strong trend towards early care seeking is nothing short of remarkable, and will likely shorten the period of suffering and result in a more complete recovery.

The Joint Mental Health Care Project has developed a list of mental health service providers and is working collaboratively to address operational stress injuries.

Operational Support: Throughout the reporting period, Canada remained lead nation in the Role 3 multinational health care facility in Kandahar, Afghanistan. The staff of the Role 3 Mobile Medical Unit cared for about 3,000 patients from coalition forces. Three medical personnel were seriously injured and one died in the line of duty.

Eighty-five CF members were evacuated from theatre by air for medical reasons.

CF Health Services personnel helped build capacity in the Afghan health care system by training Afghan National Army (ANA) medics in first aid and acting as clinical mentors to ANA physicians.

Combat first aid based on St. John Ambulance techniques is the backbone of in-theatre casualty care and evacuation to hospital. Base, wing and garrison surgeons across Canada are responsible for ensuring that every CF member deploying to a threat environment is taught combat first aid, and this was done throughout the reporting period. Tactical Combat Casualty Care, an enhanced course for soldiers, was also delivered to one or two individuals in each section that patrols "outside the wire". Finally, a new version of the crucial Medical Technicians' Course was developed and delivered to medical technicians deploying in the Role 1 capacity.

After a comprehensive review of its field force structure, the CF Health Group completed the Field Force Review "Straw Man" document, and is now developing a list of requirements for the Health Services Reserve.

Montfort Hospital: The move of the Canadian Forces Health Services Centre in Ottawa to a new facility at the Montfort Hospital was scheduled for the spring of 2007, but construction delays have pushed the expected completion date to April 2008, and moving day has been rescheduled to June 2008.

Canadian Forces Health Information System: The CF Health Information System (CFHIS) now delivers patient scheduling, registration and immunization tracking services at 34 of 36 Canadian Forces Health Services sites, and CFHIS service will begin at CFS Alert, Nunavut, and CFB Halifax, N.S. during fiscal 2007–2008. Progress was made in the delivery of clinical applications throughout the integrated network: 21 of the 24 CF dental clinics are now on line; eight of 15 diagnostic imaging departments have been implemented; five of 14 laboratories have been activated; and "results review" is available at eight of the 26 sites.

Health Promotion: The CF health promotion program *Strengthening the Forces* achieved its 2006–2007 service delivery targets, which were higher than those of previous years. Nine programs are now available with trained facilitators, and only Injury Prevention has yet to reach steady state. A total of 710 skills-building workshop series were delivered to 8,100 CF and 2,000 civilian participants, up from 343 workshop series, and 4,300 CF and 1,000 civilian participants, the year before. The number of health promotion program staff increased by 10 percent to meet increased CF needs.

Work continued on the surveillance system, a database tracking system designed to enhance injury prevention efforts. Developmental work was done on an ergonomics education program and initiatives to promote awareness of injury prevention during physical fitness training.

Training and Force Generation

A revised CF Individual Training and Education (IT&E) Framework was developed and submitted for approval in late fiscal 2006–2007 for implementation during fiscal 2007–2008. This framework assigns the functional authority for IT&E to the Chief of Military Personnel, who is accountable to the CDS for ensuring that IT&E reflects and supports CF goals and priorities. The IT&E Framework will ensure that the personnel generators, force generators, force employers, Education Training Providers and Education Training Entities, all receive clear direction on how IT&E functions in the CF.

Once implemented, the revised IT&E Framework will improve responses to training needs by connecting operational requirements to IT&E through specific processes, structures and management committees. The framework provides the structure necessary to generate personnel with the right individual qualifications for the right job, at the right time and at the right cost.

Despite the greater demand on the field force caused by increasing operational and personnel tempo, the CF training system continued to provide innovative initiatives and maintained consistent delivery of individual training.

The Canadian Manoeuvre Training Centre (CMTC) in Wainwright, Alberta, has become the premiere CF site for validating the collective training of high-readiness task forces preparing to deploy on operations. In combination with rigorous work-up training, the CMTC made possible the generation of joint, integrated, multi-national and political forces capable of operating successfully in today's operational environment.

The deployment of personnel from the Army Lessons Learned Centre with Joint Task Force Afghanistan expedited the army's ability to insert new tactics, techniques and procedures into both collective and individual training, and to improve the effectiveness of countermeasures against the insurgents' constantly changing tactics and weapons.

Learning

Organizational Learning and Lessons Learned: The CF has made significant progress in transferring knowledge gained in operations to the learning situation. During the reporting period, the Canadian Defence Academy created the Directorate of Operational Training and Educational Needs (DOTEN) to make the training and education system more responsive to lessons learned in operations. DOTEN is linked with the lessons-learned network and is reducing the time it takes to transfer knowledge and experience gained from operations to appropriate training and education courses. Operationally relevant training gives students the benefit of the most recent knowledge learned in operations and prepares them better to serve on operations.

Individual Learning: During fiscal 2006–2007 the average annual percentage of officers entering the CF through plans that require a university degree before commissioning increased from 89 percent to 90 percent. The annual average percentage of officers entering the CF through the Continuing Education Officer Training Plan (CEOTP), which requires officers to earn a degree during their first engagement, also increased one point from 4 percent to 5 percent. A corresponding decrease was seen in the percentage of new officers commissioned from the ranks, for which no degree is required. Collectively, these figures indicate progress toward an officer corps in which only those commissioned from the ranks are not necessarily university graduates.

The proportion of senior officers with degrees continued to grow as senior officers without degrees retired. A negligible increase was achieved during the reporting period, however, because the annual attrition rate of senior officers dropped below 3 percent during fiscal 2006–2007.

Articles of Clerkship Program: During fiscal 2006–2007, the Office of the Judge Advocate General employed two articling students, one from a Civil Law program and the other from a Common Law program. Both students received experience in military justice and criminal and administrative law and were exposed to the practice of law in the federal government, and in turn provided the Office of the JAG with valuable assistance. This program gives the Office of the JAG an opportunity to contribute to the legal profession while fostering a broader understanding of the CF and military legal issues. One student accepted an indeterminate position with the federal government upon completion of her articling.

Standing Committee on Public Accounts

On the publication of the eleventh report of the Standing Committee on Public Accounts (SCOPA) on Chapter 2, "National Defence – Military Recruiting and Retention)", of the May 2006 report of the Auditor General of Canada, Defence was asked to include in its Departmental Performance Report the response to the specific recommendations set out below. As requested in Recommendation 1 of the report, Defence also tabled with the Committee detailed action plans for the implementation of the recommendations made in the SCOPA report.

Recommendation 3: *That the Department of National Defence establish a formal commitment to: process applications for membership in the Canadian Armed Forces within 30 days; ensure that all applicants are made aware of that commitment; and* *report its progress in meeting those goals in its annual Departmental Performance Report.*

The Canadian Forces Recruiting Group (CFRG) implemented changes to applicant processing that support the goal of making job offers within five days to 30 percent of applicants called in for processing and 30 days for an additional 40 percent of applicants. All changes were designed to streamline the process; for example, the physical fitness test was eliminated from the selection process and replaced with a program promoting maintenance of a healthy lifestyle during basic training, and Recruiting Centres were authorized to make real-time job offers and conduct initial security checks early in the selection process.

Attainment of the 30-day processing goal depends on applicants' medical fitness and recruiters' success in co-ordinating processing appointments with job openings. To improve efficiency and management of applicants' expectations, recruiters must be required to provide initial feedback to applicants early in the application process. Applicants can expect at least one of the following interventions while they wait:

- A call to come in for processing because their preferred occupation has job openings;
- Counselling on other opportunities because none of their desired occupations have job openings; and
- Counselling on the waiting period to expect when the available job openings are not appealing.

Although improvements to human resources database reporting methods are still pending, preliminary data indicate that, since October 2006, 21 percent of applicants have received a job offer within five days and another 32 percent of applicants received a job offer within 30 days.

Recommendation 4: *That the Department of National Defence develop a policy to guide its efforts to attract recruits from specifically identified groups. This policy must include a clear accountability framework for achieving results and be completed and begin implementation by April 1, 2007.*

The CF Employment Equity Plan of December 2006 includes initiatives to increase the representation of designated groups in the Canadian Forces. The CF Employment Equity Plan includes timelines for the initiatives and policy reviews, and will be monitored annually.

Recommendation 5: *That the Department of National Defence record and evaluate the results of its advertising activities, report the results in its annual Departmental Performance Reports beginning with the Report for the period ending 31 March 2007, and make the appropriate changes to its advertising campaign and related expenditures.*

The Public Affairs Group is responsible for the coordination and management of all Canadian Forces recruitment advertisements. As such, Public Affairs works closely with both the Canadian Forces Recruiting Group, who set the recruitment requirements, and the Privy Council Office, who manages all government advertising.

A budget of $23.5 million was allocated to advertising and marketing for fiscal

2006–2007; $15.5 million from the government's centralized advertising fund and $8 million from existing departmental resources. These funds were used for both production and media placement. As stipulated in the Government of Canada Communications Policy, under Section 23, all major advertising campaigns must be evaluated to assess their effectiveness in achieving the stated objectives.

In fiscal 2006–2007, two evaluation studies were completed (Fall 2006 and Winter 2007) to assess the performance of the fall and winter recruitment advertising campaigns. Success for television advertising is measured through "recall." Unaided recall, where the audience can recall some creative element of the ads is considered a prerequisite for the advertisement to have an impact on people's attitudes and behaviours. The Fall Campaign had an unaided recall rate of 26 percent with the general population, and 29 percent with the target audience of 17- to 34-year-olds. This level is well above the industry standard, which is typically around 20 percent. The level of unaided recall increased to 31 percent for the Winter Campaign amongst the general population, and reached 38 percent with the 17- to 34-year-old target population. Evaluation of the Winter Campaign used both an Internet panel of 17- to 24-year-olds and a telephone survey with a representative sample of Canadians aged 17 and older. Results show that advertising placed on the Internet conveys a stronger recruitment message. The evaluation results of each campaign are used to adjust the focus, media mix or strategy of all CF recruit-advertising campaigns.

Traffic through the various recruitment points of contact is also used to gauge the effectiveness of recruitment advertising. This measure includes recruitment website visits, visits to recruitment centers, phone calls to the 1-800 line and e-mail. Fiscal 2006–2007 saw a 200 percent increase in traffic over fiscal 2005–2006, this resulted in an increase of almost 10,000 applications.

With the support of an important advertising campaign and new ads, the CF met their recruitment targets for fiscal 2006–2007 and increased the Regular force by 1,000 personnel and the Reserve force by approximately 1,000 personnel.

Recommendation 6: *That the Department of National Defence confirm that all of its recruiting offices have the capacity to deal with potential recruits in the official language of their choice and, where it finds gaps, take immediate corrective action.*

All CF recruiting centres and detachments have the capacity to process applicants in both official languages. To improve the delivery of recruiting services in both official languages even more, CFRG operates a national call centre.

Recommendation 7*: That, in the surveys it conducts among those leaving the Canadian Forces, the Department of National Defence include questions designed to determine whether language issues or problems linked to the availability of first language educational facilities are factors in decisions taken to leave the Forces before full service is completed. Immediate corrective action should be taken depending on survey results.*

Although CF exit surveys do not contain specific questions about language issues, questions are structured so respondents can raise language issues if they want to. Analysis of exit surveys is scheduled to begin in autumn 2007. The 2007 data collection effort will produce a sample large enough for valid analyses that can be used to develop appropriate mitigating measures if required.

Recommendation 8: *That the Department of National Defence determine the rate of attrition for female members of the Canadian Forces and, in its exit surveys, seek to establish which factors prompt female members to leave the Forces before full service is completed. The results, along with corrective measures taken to encourage women to complete their full service, should be reported in the Department's annual Performance Reports, beginning with the Report for the period ending 31 March 2008.*

The current exit survey permits responses to be sorted by gender. Analysis of the responses, scheduled to begin in the autumn of 2007, will permit development of appropriate mitigating measures. The annual rate of attrition among women was 5.92 percent in fiscal 2004–2005, 5.83 percent in fiscal 2005–2006; and 6.82 percent in fiscal 2006–2007. The attrition rate tends to be lower among women than among men, and its increase over time follows the pattern of the overall increase of attrition across the CF.

Recommendation 9: *That the Department of National Defence begin to report the results of the exit surveys it conducts among members of the Canadian Forces in its Departmental Performance Reports beginning with the Report for the period ending 31 March 2007. References to the methodology and scope of the surveys should be included.*

Analysis of the exit surveys will begin in the autumn of 2007, so survey results will appear in the next Departmental Performance Report.

Recommendation 10: *That the Department of National Defence establish a target for the maximum acceptable rate of attrition of its trained effective strength and monitor the performance of the package of measures it has instituted to meet that target. The Department should begin to report its progress in its annual Departmental Performance Report beginning with the report ending 31 March 2007.*

Attrition is an important element of force renewal. Some attrition is essential to ensure a continuous flow of recruits and promotion opportunities through the ranks for both commissioned and non commissioned members. Experience indicates that, barring interventions such as the Force Reduction Plan of the 1990s, over the long term an average annual attrition rate of 6 to 8 percent is required to maintain renewal throughout the CF.

What constitutes "problematic" attrition will vary across time and circumstances. For example, any amount of unexpected attrition in an under-strength or very small occupation will be problematic. The training required to bring a recruit from entry to employable on operations can vary in length from 18 months to seven years, so unexpected attrition in occupations with long training programs will have greater impact than the same amount of attrition would have in an occupation with a shorter training and work-up period.

Since circumstances define "maximum acceptable" attrition, it is not productive to set or identify a maximum acceptable attrition rate. Instead, the CF are monitoring certain indicators to ensure that negative trends are seen early, and appropriate intervention begins in a timely manner.

***Recommendation 11:** That the Department of National Defence take all appropriate measures needed to compensate for the effects of the force-reduction bubble, including recruitment of individuals already possessing the skills needed to fill key positions and accelerating the promotion of qualified individuals already serving in the Canadian Forces to fill vacant positions.*

The CF have launched several initiatives to achieve these aims.

- Trained members of the Primary Reserve are encouraged to transfer to the Regular Force.
- Primary Reservists returning from Afghanistan are eligible for direct, expedited component transfer offers that reservists need only accept or decline, thus eliminating much of the administrative action and processing.
- Recently released CF members and members on the Supplementary Reserve List are being asked to return to the Regular Force.
- DND is co-operating with Citizenship and Immigration Canada to develop a process for fast-tracking members of allied armed forces who are fully qualified in high-demand occupations to landed immigrant status and enrolling them in the CF.
- Action is being taken to identify high performers early so that specific mentoring, training and succession planning can begin to prepare them for early promotion to higher rank.

Reserve Force

The Reserve Force is composed of CF members who are enrolled for service other than continuous, full-time military service. The Reserve Force has four sub-components:

- the Primary Reserve;
- the Supplementary Reserve;
- the Cadet Instructors Cadre; and
- the Canadian Rangers.

Primary Reserve

The role of the Primary Reserve is to augment, sustain and support deployed forces and sometimes to perform tasks that are not performed by Regular Force members. The Primary Reserve structure includes the Naval Reserve, the Army Reserve, the Air Reserve, the Communications Reserve, the Health Services Reserve and the Legal Reserve.

Naval Reserve: The Naval Reserve provided highly trained sailors for the ship's companies of the navy's KINGSTON class Maritime Coastal Defence Vessels. Coastal operations included roles distinct to the Naval Reserve such as port security, Naval

Coordination and Advice to Shipping, and shared roles such as mine countermeasures and Intelligence. The total strength of the Naval Reserve stood at 3,950 in fiscal 2006–2007. It is expected that the Naval Reserve will reach its approved strength ceiling of 5,100 by 2015.

Army Reserve: Phase II of the Land Force Reserve Restructure is now being implemented, which implies a significantly expanded role for the Army Reserve. During fiscal 2006–2007, the average paid strength of the Army Reserve stood at 16,973, an increase of 890 over fiscal 2005–2006. It is expected that the Army Reserve will reach and maintain its targeted strength of 17,300 during fiscal 2007-2008. Of the average paid strength, approximately 3,900 Army Reserve personnel were employed full-time across Canada and abroad.

The Army Reserve enhanced its link with communities by having its units reach out to new communities. Two new capabilities, civil-military co-operation (CIMIC) and psychological operations (PSYOPS), have grown in strength and are providing significant augmentation to international operations. The Army Reserve is the sole source of these two capabilities.

Air Reserve: Progress continues in the transition of the air force to a Total Force construct; for example, all Reserve Flights —the organizations that handle Reserve administration on wings across Canada — have been integrated into the local wing administration organization, and all Air Reserve chief warrant officers (CWO) were included in the CWO rationalization just completed.

In December 2006, Air Command began revising the Air Force Strategy and developing an Air Force Campaign Plan. The Campaign Plan forms the basis for a personnel doctrine that will integrate Air Reserve capabilities, roles and functions fully with the rest of the Air Force, thus formalizing the Total Force concept within the air force doctrinal structure for the first time. The average paid strength of the Air Reserve varied between 2,250 and 2,350, being funding limited. The actual strength at any given time varies with the surge requirement to support CF operations outside Canada, Domestic Force Employment (DFE), and backfill for vacant Regular force positions.

Communications Reserve: The Communications Reserve continued to provide trained signallers to support Regular and Reserve Force activities both in Canada and on operations overseas. These soldiers played a vital role in information operations and in maintaining communications links as an integral part of all CF missions. During the reporting period, approximately 80 Communications Reservists deployed on operations in Afghanistan, Sudan, Ethiopia, Bosnia and the Golan Heights. The paid strength of the Communication Reserve is 1,945 personnel.

Health Services Reserve: The CF Health Services Group has central command and control of all Health Services Reserve units comprising some 1,200 personnel organized into two functional groups: the Field Ambulance units of the Primary Reserve, and the CF Health Services Primary Reserve List (PRL).

The Strategic Recruiting Plan focussed on attracting and enrolling qualified clinical officers to increase the clinical capability of the Reserve Field Ambulance and to increase the number of health service providers on the Health Services PRL. During fiscal

2006–2007, the number of clinical officers (physicians, nurses, dentists, pharmacists and social workers) increased by 6 percent in Field Ambulance units and by 53 percent on the PRL. The number of non-commissioned members (physician assistants, medical technicians, *et al.*) increased by 105 percent in Field Ambulance units and by 52 percent on the PRL.

Individual training has been modularized for the Basic Officer Training Course, all Medical Branch Basic Occupational Courses, and the senior Health Services Operations Course. The Medical Technician Qualification Level 3 course has also been modularized, and the Medical Technician courses used in the Regular Force are in the process of being adapted to Reserve needs, with modularization to follow.

Legal Reserve: Enrolment of legal officers in the Primary Reserve remained constant throughout the reporting period at 52 on an establishment of 62, allowing more flexibility in the direction of legal resources to cases and complex legal issues. A decline in Class A (part-time) employment allowed the Judge Advocate General (JAG) to increase Class B (full-time, temporary) employment to replace deployed Regular Force legal officers and to advance JAG transformation.

Supplementary Reserve

The Supplementary Reserve is the sub-component of the Reserve Force that comprises commissioned and non-commissioned members who are not required to perform military duties or training, except when placed on active service. Members of the Supplementary Reserve come from the Regular Force or the other Reserve Force sub-components. Although they are not compelled to serve except when mobilized by the formal declaration of an emergency, members of the Supplementary Reserve may volunteer to serve.

The total strength of the Supplementary Reserve in fiscal 2006–2007 was 27,734.

During fiscal 2006–2007:

- 3,339 CF members were transferred to the Supplementary Reserve from another component or sub-component of the CF;
- 10 were enrolled into the Supplementary Reserve;
- 745 CF members were transferred from the Supplementary Reserve to another component or sub-component of the CF; and
- 6,706 Supplementary Reservists were released from the CF.

Cadet Instructors Cadre

The Cadet Instructors Cadre (CIC) is a sub-component of the Reserve Force consisting of officers who have undertaken, by the terms of their enrolment, to perform such military duty and training as may be required of them, but whose primary duty is the supervision, administration and training of youth aged 12 to 18 who belong to Army, Air and Sea Cadet organizations. Their mandate is to ensure the safety and welfare of cadets while developing in them the characteristics of leadership, citizenship, physical fitness, and stimulating their interest in the sea, land and air activities of the CF.

To help the CIC to carry out its mandate, the Cadet Instructors Cadre Change Management Project made progress during the reporting period. The aim of the five-phase project is to produce a job-based occupation specification for the CIC that can then be properly supported by human resource policies and a job-based training program. The project is now in the implementation phase. A number of policy initiatives and the development of an improved training program for the CIC advanced during fiscal 2006–2007.

Canadian Rangers

The Canadian Rangers provide a military presence in sparsely settled, northern, coastal and isolated areas of Canada that cannot be conveniently or economically covered by other elements of the CF.

During the reporting period, the transfer to the Chief of the Land Staff of the Canadian Ranger National Authority and command of all Canadian Rangers was initiated to consolidate all aspects of Canadian Ranger force generation in the army.

The Canadian Rangers met their commitment of 12 days of training for all members of Ranger patrols, and to contribute to the CF presence in remote and sparsely settled regions of Canada. They participated in sovereignty patrols in the Arctic and assisted in many successful SAR operations in remote areas of the country. No new Canadian Ranger patrols were formed during fiscal 2006–2007.

Reserve Strength: The table below reflects the planned and actual strength of the Reserve Force for the last three fiscal years.

RESERVE FORCE STRENGTH

Sub-Component	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Primary Reserve [1]	25,633	23,902	25,140	25,231
Supplementary Reserve	40,000	35,312	32,376	27,734 [2]
Cadet Instructors Cadre	7,050	8,014	7,482	7,479 [3]
Canadian Rangers	4,179	4,448	4,205	4,266 [3]

Notes:

1. Primary Reserve planned and actual 2006–2007 strength is based on average monthly paid strength and includes 1,430 reservists on Class C status in support of conduct operations.
2. Supplementary Reserve actual 2006–2007 strength is based on the ADM (IM) DHRIM strength report as of March 31, 2007.
3. Cadet Instructor and Rangers actual strength is based on the RPSR March 31, 2007 monthly report.

Source: ADM (Fin CS) Revised Pay System for the Reserves (RPSR) monthly report.

Current Reserve Initiatives

Canadian Forces Liaison Council: Canada has come to rely heavily on the Reserve Force for help in meeting its defence commitments. The proportion of Reservists in deployed task forces increased to more than 20 percent during the reporting period, and

Reserve units in towns and cities across Canada give the CF a community presence that Canadians readily recognize. The Canadian Forces Liaison Council (CFLC) is a nation-wide network of senior leaders in business and education, supported by reserve part-time and full-time military personnel, who voluntarily promote the Reserve Force with the sole aim of getting Reservists "Time off to Serve".

Through its various programs, the CFLC targets civilian businesses and educational institutions to develop Military Leave policies that would allow the Reservist the available time to deploy on operations, conduct military training, or participate in an exercise, while knowing that they can return to their civilian job without penalty once they have completed their Reserve service.

In fiscal 2006–2007, there were 576 participants in the ExecuTrek program, where civilian executives had the opportunity to be a "soldier/sailor/aircrew for a day". As a result, 316 businesses signed Statements of Support for the Reserve Force to bring the total to over 5,000 since the program's official launch in 1993. The CFLC held its biennial National Employer Supports Awards February 8, 2007 at the McDougall Centre in Calgary. This was the 7th awards ceremony that the CFLC held since 1994 - honouring employers and educators who have shown outstanding support to their Reserve employees and students.

During the reporting year, the CFLC received 41 individual requests for the Reserve Assistance Program, where a reservist requested direct support from the CFLC for help in obtaining leave for military purposes. Eighteen of those cases resulted in a favourable outcome for the reservist.

Additionally, the CFLC continued its educational outreach program encouraging educational institutions to allow student-reservists to take time away from their studies for military training and exercises. In fiscal 2006–2007, another 79 post-secondary institutions declared support, bringing the total to 179 out of 302 institutions.

The Federal Reserve Force Awareness Campaign continued to encourage federal departments/agencies/boards and commissions to support the Reserve Force. In fiscal 2006–2007, the total number of supportive departments increased by 6 to 70 out of 150.

For additional information on the Canadian Forces Liaison Council and Reserve Force Employer Support Programs, visit:.http://www.cflc.forces.gc.ca/

Pension Modernization Project: On February 15, 2007, the Governor in Council approved regulations to create pension arrangements for the Reserve Force, and the reform came into effect on March 1, 2007. Through this modernization effort, Reservists employed part-time on Class A service now have access to pension benefits through a part-time plan, and those employed on full-time service for extended periods are now able to contribute to the Regular Force pension plan.

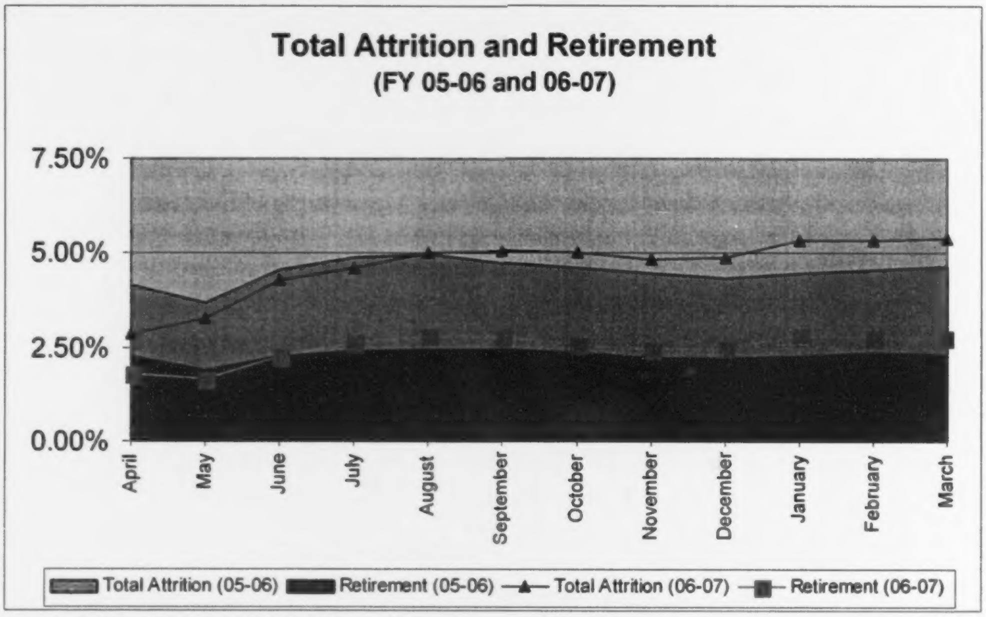
Human Resources – Civilian

The training, professional development and welfare of the Defence civilian workforce is accomplished through four key activities:

- recruiting and retaining the right number and mix of qualified people;
- creating a workplace environment that promotes wellness and health;
- promoting leadership and inclusiveness by fostering competent, accountable leaders and a diverse culture; and
- building a knowledge-based organization through continuous learning.

Recruitment efforts continue under the departmental Recruitment Strategy. Efforts are under way to align growth of the civilian workforce with departmental strategic priorities as part of the integration of human resources and business planning.

The table below shows that, as of March 2007, the annual rate of attrition among civilian employees of indeterminate status had risen slightly, to 5.40 percent. Approximately 49 percent of this attrition was attributable to retirement; 27 percent resulted from transfers to other departments; 16 percent was due to resignations; and 8 percent was for other reasons. This gradual increase in the attrition rate was expected because of the aging profile of the civilian workforce and the increased competitiveness of the labour market. The Human Resources – Civilian Group is developing a retention strategy to offset this challenge.



Source: Assistant Deputy Minister (Human Resources – Civilian) Group

The Leadership Index is used to measure civilian employees' perception of DND's ability to create a work environment where employees feel included and empowered, and the effectiveness of leadership in their work units. The Leadership Index comprises items from the Public Service Employee Survey (PSES) that address employee recognition, employee empowerment, alignment of employee performance with the organization's mandate, and leadership integrity. DND's performance was rated slightly better than that of the Public Service as a whole: in DND, 66 percent responded positively to the Leadership questions compared to 64 percent across the Public Service.

Implementation of the Public Service Employment Act

The new *Public Service Employment Act* (PSEA) came into force on December 31, 2005, and Defence continued with its implementation throughout the reporting period. The PSEA changes are well understood by the department's human resources staff, and managers have assimilated them well and assumed their responsibilities. Human resources plans are being developed and integrated into business planning, but more work is required to ensure that plans are translated into staffing and recruitment strategies. Most training related to the PSEA has been completed, and PSEA flexibilities, such as collective staffing, are being exploited.

Effects of CF Transformation and Restructuring

During fiscal 2006–2007, the Human Resources –Civilian Group provided organizational advice and support to CF transformation activities; specifically, integrated human resources support services to help set up the new command headquarters. Increased functional direction and oversight has improved the quality of classification decisions across the department. Specific initiatives such as national relativity studies and the creation of collective work descriptions in the computer sciences, medical services, human resources, and general labour fields increased classification consistency, ensuring that employees performing these jobs are fairly compensated.

Recruitment and Staffing

Recruitment and staffing continued to be a key priority for DND given the skill demands and demographics of the department. An aging population and the resulting retirements have resulted in increased recruitment efforts to replace retirees, while new skills are required for initiatives such as the People Component Management Accountability Framework (PCMAF), CF Transformation and the PSEA.

A recruitment team was formed during fiscal 2005–2006 to address project management personnel requirements and new growth needs, and to further the departmental recruitment strategy beyond its original 2002–2005 time frame. The strategy identified specific communication outreach opportunities and approaches for addressing shortages in groups that support DND operations. During fiscal 2006–2007, about 33 percent of civilian growth was in the groups identified in the recruitment strategy — Computer Systems administration (CS), Engineering and Land Survey (EN), General Labour and trades (GL), Purchasing and Supply (PG), Ships' Officers (SO), and Ship Repair (SR) — indicating that recruitment outreach efforts were successful. The Recruitment Strategy Investment Fund was extended until fiscal 2008–2009.

Apprenticeship

A national study of departmental apprenticeship programs, including a review of work descriptions used for apprenticeship positions, was completed during fiscal 2005–2006. A National Civilian Apprenticeship Framework is currently being developed with completion scheduled for fiscal 2008–2009. Performance measurements will be implemented once the framework has been implemented.

A review of current apprenticeship programs conducted throughout Defence highlighted best practices, challenges, client requirements and success rates. These findings will be used to develop a framework that will guide attraction, recruitment, training and development, and appointment of apprentices to trades positions. Given the importance of skilled labour in the supporting DND programs, the success of this activity will have an immediate and direct impact on CF operations.

Retention Strategies

Focus groups on retention of civilian employees were held across Canada throughout the autumn of 2006 and the winter of 2007 to generate information for the development of a Defence civilian employee retention strategy. Each focus group involved about 175 employees.

Leadership and Development Program: After suspending its participation in the Public Service Career Assignment Program, DND developed an internal Leadership Development Program (LDP) as another way to meet its succession planning needs. DND employees already enrolled in the Career Assignment Program will continue to receive full support until they graduate, and DND hopes to retain at least 50 percent of them.

The LDP is a pilot two-year accelerated leadership program that broadens the work experience of candidates through developmental training and assignments within and outside DND. Its objective is to prepare employees at the levels feeding the Executive (EX) group to compete for positions at the EX-01 level. The pilot program was launched in September 2005. Ten participants were originally accepted into the program, of which four are from employment equity groups. One individual left the program early to accept an EX-01 position and another recent graduate was appointed to an EX-01 position. One participant is about to graduate and be appointed to an EX-01 position. The remaining seven participants are on assignment or on language training.

Well-being: In June 2006, the achievements of 57 Defence employees from across Canada were celebrated at the National Awards and Recognition Ceremony.

In February 2007, to commemorate the 25th anniversary of the Employee Assistance Program (EAP) at Defence, a national symposium on EAP was held in Hull, Québec and attracted more than 300 participants from across Canada including EAP representatives from Parks Canada.

The annual cycle of Civilian Performance Review Reports runs from April 1 to March 31. During fiscal 2006–2007, a comprehensive review and monitoring process increased the proportion of civilian employees receiving a performance appraisal to 85 percent.

A summary report of the Defence results from the 2005 Public Service Employee Survey (PSES) was prepared and distributed to all staff, and during the fall of 2006 sub-reports on the headquarters groups and the Environmental Commands were prepared and distributed. The Business Culture Health Index was used to measure the ability of Defence to create a business culture that supports the health and well-being of employees.

The index comprises items from the PSES that address: recognition by immediate supervisor; input to decisions and actions impacting work; ability to balance family, personal and work needs; and ability to complete assigned work during regular work hours. Defence employees' perceptions were higher than those of the Public Service as a whole by two percentage points, up by one percentage point from the 2002 result of 64 percent.

Learning: The Departmental Scholarship Program promotes continuous education and career development. Educational programs are aligned with participants' career plans to facilitate access to job opportunities upon their return. A Sponsor Research Report for fiscal year 2006–2007 from Director Personnel Applied Research was completed and will be available for consultation in the fall of 2007.

Of the 113 scholarship recipients enrolled from the beginning of the program:

- 17 percent were promoted or received a change in classification when they returned to work;
- 46 percent stated that the program allowed them to prepare for future organizational requirements;
- 41 percent gained access to more job opportunities;
- 31 percent gained more responsibilities when they returned to work; and
- 2.6 percent sought release from their agreements.

On average, DND spent approximately 2.37 percent of its "salary and wage envelope" — better known as SWE — on civilian learning during fiscal 2006–2007. The investment in learning, both funded and informal learning opportunities, enabled approximately 50 percent of the civilian workforce to participate in learning activities.

Technology

Progress continued towards the implementation of the Human Resources Management System (HRMS) PeopleSoft version 8.9 due for release in October 2007. Implementation will include functions in support of human resources operations and service delivery, as well as two aspects of self-service – Employee Profile and Leave Self-Service. The first of these self-service functionalities will allow civilian employees, with desktop access to the DWAN, to manage specific aspects of their personal data, such as home address and marital status.

The Leave Self-Service functionality will also enable them to manage their leave on-line. Supervisors, including military managers of civilians, will be able to approve the leave of their staff using the same functionality on the DWAN. Self-service will be rolled out starting October 31, 2007, and will continue region by region to conclude by the end of December 2007. Implementation of this functionality will provide more timely information to DND employees, will reduce the amount of time required to generate reports, should help to reduce errors in the system, and ultimately should permit the re-distribution of resources presently used for leave input to other value added activities.

Joint Military and Civilian Initiatives

The major components of the Defence Learning Network (DLN) currently include an off-the-shelf corporate Learning Management Platform, 15 Learning and Career Centres (LCCs) located at CF bases and wings, and a National Centre of Excellence. More than 10,000 CF members and Defence civilians, and a growing number of employees of other government departments, are using the DLN to further their professional knowledge and development on line or through the LCCs.

The CF encouraged Defence civilians at and above the EX-2 level to participate in high-level seminars and programs conducted at the Canadian Forces College in Toronto, thus supporting the thrust toward a unified Defence Team.

The CF entered into agreements with ten community colleges in Ontario and the Royal Military College of Canada to offer the Diploma of Military Arts and Sciences (DMASc) to non-commissioned members of the CF, public servants, and interested individuals with no federal government connection. This new program takes into account military training, experience and previous education, can be completed entirely through distance learning, and can be used to gain entrance to bachelor's degree programs at some universities.

Capital Acquisitions

Medium Support Vehicle System

The MSVS project will modernize the aging Medium Logistics Vehicle Wheeled (MLVW) fleet, thus providing a platform for embedded unit logistics — mobile support facilities, such as field kitchens, workshops and medical facilities — and effective delivery of reinforcements and supplies. Preliminary project approval was received from Treasury Board on June 22, 2006, and the request for proposals for the Militarized Commercial-off-the-Shelf trucks will be released in fall 2007, with the remaining request for proposals to be released in Spring 2008. Initial operational capability is expected in February 2011, and full operational capability by December 2011.

Airlift Capability Project – Tactical

The Airlift Capability Project – Tactical will provide the tactical transport aircraft required to support CF operations. The aircraft will be able to fly in extremes of weather and temperature from unpaved, austere, unlit airfields with no support facilities, over medium-threat hostile terrain anywhere around the globe. Using runways as small as 914 metres by 27 metres, it will be able to deliver an 8,165-kg payload to a destination 4,630 kilometres away, in 10 flying hours and without refuelling, at a minimum cruising speed that meets or exceeds that of any tactical transport aircraft already in the CF inventory. The ACP–T is in its definition phase, having received preliminary project approval on June 22, 2006. Contract Award is anticipated in spring 2008 with delivery of the first aircraft thirty-six (36) months thereafter.

Airlift Capability Project – Strategic

The Airlift Capability Project – Strategic will acquire a commercially available aircraft that will maximize the CF strategic air transport capability and interoperability with Canada's allies, and meet the needs of CF operations. It will be able to fly into hostile environments to deliver cargo and passengers directly to an operational theatre. Using unpaved runways as small as 1,219 metres by 27 metres, it will be able to deliver a 39,000-kg payload to a destination 6,482 kilometres away, in 14 flying hours and without refuelling. The ACP–S is in its implementation phase, having received effective project approval on June 22, 2006. On February 1, 2007, the Government of Canada entered into a contract with Boeing Integrated Defense Systems for four C-17 Globemaster III aircraft. The first aircraft arrived at 8 Wing Trenton in August 2007, and the last is expected in the spring of 2008. Because this project has advanced so fast, permanent support facilities at 8 Wing Trenton will not be ready when the first aircraft arrives. Infrastructure efforts are continuing and interim facilities are being investigated.

Medium- to Heavy-Lift Helicopter

The Medium- to Heavy-Lift Helicopter project will acquire an aircraft that can move CF troops and equipment in hostile environments in Canada and abroad. It will be able to carry up to 30 soldiers with their full combat equipment or a payload such as a light field howitzer with its associated equipment for at least 100 km at altitudes up to 1,220 metres above sea level, and at temperatures up to 35° Celsius. The project received preliminary project approval from Treasury Board on June 22, 2006 and, after promulgation of an Advanced Contract Award Notification, the CH-47 D/F Chinook helicopter built by Boeing Integrated Defense Systems was found to be the only aircraft able to meet the project's high-level mandatory criteria. The project is currently in its definition phase, and a Request for Proposals is scheduled to be issued to Boeing early in the fall of 2007. Contract award is expected in the winter of 2008.

Fixed-Wing Search and Rescue (SAR) Project

Defence's priorities continue to evolve, and, as the CF evaluate their options, the timelines associated with the Fixed-Wing SAR project have been pushed to the right. However, recognizing the importance of effective SAR services to all Canadians, Defence will continue to prepare the documentation required for the definition phase of the project. The Government is examining several options designed to ensure that fixed-wing SAR service is maintained without interruption until the new aircraft enter service.

Joint Support Ship

The Joint Support Ship (JSS) project will replace the capabilities for at sea replenishment and sustainment of the Naval Task Group, assure a strategic sealift capability, and improve the navy's capability to support and sustain land operations ashore.

JSS is currently in project definition. Two contracts for funded definition work were awarded in December 2006, which will deliver costed design proposals. Following evaluation of those proposals, a single design and contractor will be chosen. During the reporting period, the project remained on schedule to seek effective project approval and

TB expenditure authority in Fall 2008 for the award of the implementation contract to build three ships and a contract for the initial in-service support of the Class. Starting in 2012 the first Joint Support Ship (JSS) will be delivered as a replacement to the Protecteur class replenishment vessels.

Land Force Intelligence, Surveillance, Target Acquisition and Reconnaissance Omnibus Project

The LF ISTAR omnibus project received Preliminary Project Approval in 2002. It will update Command, Control, Communication, Computer, Intelligence, Surveillance and Reconnaissance (C4ISR) capabilities by allowing the rapid acquisition and sharing of information. This project will also help the Land Force achieve its "Leading with Sensors" employment concept. The first component to be delivered will be a data-link communications capability that will provide a digital avenue for moving sensor data and situational awareness information around the area of operations. This system will link the army's current and future sensors, integrating information from joint and coalition assets into a network environment where information and knowledge are shared at every level of command.

Optimize Resource Utilization

Strategic Cost Model

The Department continued to develop a Strategic Costing model that captures all aspects of Defence's existing force structure as well as the planned capability development. The model was used to determine costing information for the *Canada First* defence strategy and develop alternate scenarios. Much work still remains to refine the methodology and enhance the model's calculations. The creation of this database will enable defence planners to more clearly understand the complete financial resource commitments as well as to articulate a strategy for achieving them. In addition, force structure costing will enable informed decision making for transformation. The long-term objective is to ensure that the costing model process is institutionalized and seamlessly integrated into Capability-based planning.

Strategic Asset Management Model

DND developed the Strategic Asset Management Model (SAMM) to calculate the current value of its assets and to estimate sustainment and replacement costs. It allows Defence to model costs such as the personnel, operating and maintenance factors and thus estimate the funding requirements associated with each asset. It also allows DND to show the high cost of sustaining equipment that is still in service well beyond the expected end of its life cycle. The SAMM is one of the decision-support tools used to determine optimal net replacement strategies. Work continued through 2006–2007 to update and refine the methodology and its implications for management use.

Strengthen Financial Management

During the reporting period, DND continued to develop the Executive Finstat planned for production on a quarterly basis to provide DND executives with an overview of the departmental budget. The draft report includes three sections: the current financial position and situation; the accrual situation; and, the financial performance measures. The objective of this report is to provide Executives with complete and accurate financial management information, in accordance with accepted accounting principles, to improve decision-making.

Financial Decision Support System

The Financial Decision Support (FDS) system will create an environment that can facilitate the management and reporting of departmental financial information. Expenditures must be reported to central agencies using the Program Activity Architecture (PAA). The current configuration of the Financial Managerial Accounting System (FMAS) does not allow expenditures to be reported in the PAA format, nor does it allow for the necessary integration of planning data to support strategic decision-making in a multi-year environment. Significant efforts have been made during the reporting year to move this project forward. The Finance and Corporate Services Group prepared a Statement of Requirement and progress was made to achieve the required data architecture and reporting framework.

International Financial Linkages

Canada hosted the first Defence Senior Financial Officer Colloquium in October 2006. Contacts with Senior Financial Officer in the UK, the US, Australia and New Zealand were pursued to discuss lessons learned in the accrual accounting environment, comptrollership, shared services and risk management. The lessons learned are being developed and shared between the countries. For example, Canada provided a senior analyst to the New Zealand government to give strategic financial and costing advice. The Singapore Defence Department and other groups will send representatives to Canada to benefit from progress made with Canada's financial management processes. Meanwhile Canada is pursuing lessons learned from both the US and the UK.

Performance Measures

During fiscal 2006–2007, DND continued to ensure that the allocation of resources was based on current priorities and requirements. The departmental business planning process ensured that resource deficiencies and their potential impacts on strategic priorities were clearly identified and examined before resource-allocation decisions were made. While current operations remained the number-one priority, the assignment of resources made available through program adjustments was done in accordance with current goals and priorities, and using the governance process of the department's Program Management Board.

Monitor Resource Utilization

Balanced Investment

Throughout the reporting period, work continued on the development of the *Canada First* defence strategy document (formerly the Defence Capabilities Plan) and the associated investment plans that support its strategic goals. Completion of this document has taken longer than anticipated due to a number of factors, including the need to adapt what began as a strictly capability-focused text into a more comprehensive document incorporating the new government's defence policy and priorities. Until the defence strategy document is approved, the ongoing challenge is to link current and future resource assignment and reporting definitively to a longer–term strategy.

Capital Assets

During fiscal 2006–2007, the Department continued to ensure that information on inventory catalogued in the Canadian Forces Supply System but held by contractors was accurate and complete. The Materiel Group took stock of all catalogue items held in DND warehouses at contractor sites to establish a baseline for the Audited Financial Statements Project.

Materiel Management

The Public Accounts Audit for 2004–2005 by the Office of the Auditor General revealed that DND had capital assets located at bases, wings and garrisons that were not recorded in the Materiel Acquisition and Support Information System (MASIS). With the implementation of accrual accounting, all stand-alone capital assets with a value of $30,000 or more, and all vehicles regardless of cost, must be recorded in MASIS to ensure that the value is included in the Departmental Financial Statements. As a result, for fiscal 2006–2007 DND reported repairables worth about $6 billion on the financial statements, with accumulated amortization of almost $3.7 billion. This amount includes $179 million in repairables in supply customer accounts with accumulated amortization of $113.5 million.

Realty Assets and Infrastructure

The Realty Asset Strategy was not completed during fiscal 2006–2007 as planned. On March 23, 2007, the Defence Management Committee agreed to a new Realty Asset Management approach that will lead to effective strategic planning and decision-making. A Realty Asset Strategy introducing this new Realty Asset Management approach and including an implementation plan will be presented to the Defence Management Committee for its approval in fiscal 2007–2008.

- ***LONG-TERM SUSTAINABILITY FOR RANGES AND TRAINING AREAS***

  Progress has been made toward the restoration of ranges and training areas at CFB Gagetown. Part 1 of the two-part project now in development includes environmental cleanup and mitigation, and in Part 2 new infrastructure (e.g., roads, bridges, culverts) will be built.

A concurrent survey of the management framework in place for all CF ranges and training areas reviewed the policies, procedures and governance processes of the various organizations responsible for ranges and training areas. As a result of the survey, Infrastructure and Environment Group received the signal to proceed with an integrated action plan for life-cycle management of ranges and training areas. This approach will use business planning to mitigate the risks associated with integrating the many initiatives already under way, focus management of those activities within the Infrastructure and Environment Group, and employ state-of–the-art management for reporting on ranges and training areas.

- *UNEXPLODED EXPLOSIVE ORDNANCE MANAGEMENT FRAMEWORK*

The Unexploded Explosive Ordnance (UXO) Legacy Sites Program made significant progress in developing a robust program to deal with threats that may be present on former DND properties.

Phase 1 of the historical research identified at least 731 potential UXO legacy sites on land in addition to the 1,000 sites in Canadian territorial waters. The program has developed a risk-rating methodology for prioritizing potential UXO legacy sites, and established an Explosive Risk Rating Committee made up of Defence experts to approve the risk-management approach proposed for each site.

- *FIVE-YEAR INFRASTRUCTURE AND ENVIRONMENT INFORMATION SYSTEM*

The integration of all the business applications in use in the Infrastructure and Environment (IE) Group showed some success with the start of the Corporate Information Warehouse project by the Defence IE Application Development and Support (DIEADS) group. Although this initiative depends on the success of the Defence Information Service Broker in its efforts to integrate the department's Enterprise Resource Planning, the overall integration objective is still considered achievable.

Canadian Forces Housing Agency

On January 30, 2007, the Accommodation Board approved the Life Cycle Asset Management Plan for the housing portfolio, a detailed 25-year plan to address the three critical asset management challenges of portfolio size, suitability and condition. The plan will help improve decision-making, ensuring the affordability and feasibility of the Housing Recapitalization Program in the short, medium and long term.

Procurement: Contract and project management

Defence established new, and reinforced existing departmental standards for financial procedures and management, including procurement and contracting processes. The Defence Oversight Committee on Contracting (DOCC) oversaw DND's contractual framework and associated financial controls and practices, and ensured that a sound risk-management framework is in place and functioning well.

For example, Defence worked very closely with Public Works and Government Services Canada (PWGSC) on its Procurement Reform/Way Forward initiative to improve its procurement processes and practices, and adopted best practices as standard practices. Here is a list of procurement initiatives DND implemented or continued during fiscal 2006–2007.

- Taking the "optimized weapons system management" approach to procurement planning, in which requirements are bundled into long-term support contracts to reduce contracting activity and administrative costs and encourage industry to invest and collaborate, DND implemented six initiatives, including projects related to the CF-18 Hornet fighter aircraft, the CP-140 Aurora long-range patrol aircraft, the CC-130 Hercules transport aircraft, and the Light Armoured Vehicle, Wheeled (LAVW).
- Defence adopted several PWGSC-led procurement reforms, including the following:
  - **Standing offers:** The mandatory use of standing offers for commodities significantly reduces procurement lead-time from weeks to a few days. DND applied this approach to more commodities, in close co-operation with PWGSC.
  - **Commodity Councils and Commodity Teams:** Defence played a leading role in these initiatives, through which 12 commodities will be procured by participating departments through government-wide standing offers and supply arrangements. The resulting economies of scale should reduce prices significantly, allowing DND to save money.
  - **The Government of Canada Marketplace:** The Department worked with PWGSC to develop this Internet-based procurement method with a view to integrating it with DND procurement records systems (MASIS and CFSS).
  - **Participating in Treasury Board policy reviews:** DND supported and complied with Treasury Board to review and implement new policies in simple and complex procurement, materiel and project management;
  - **Training and Professional Development:**
    - DND participated in an advisory committee to help develop the Professional Certification and Development Program for procurement and materiel management personnel.
    - A training strategy and framework has been developed for the field of materiel acquisition and support (MA&S). The strategy identified MA&S training requirements; compared them to the training actually being delivered; considered new training requirements, such as those related to the new Treasury Board policy and to the Professional Certification and Development Program; and developed an MA&S training framework containing an integrated MA&S training program for DND. The Department implemented the MA&S training strategy and framework in phases. The first phase focused on procurement training needs.
    - DND developed a new training program for civilian employees in the Purchasing and Supply group with the following elements:

- courses from the Professional Certification and Development Program, including material related to the new Treasury Board policy on procurement and green procurement;
- DND-specific procurement training;
- training on CFSS and MASIS; and
- HR training for procurement personnel, in which the DND Procurement Group training program was used as the basis for phases of the MA&S training framework, including programs for project managers, materiel managers, engineers and life-cycle materiel managers.

Additional information on procurement and contracting can be found in Table 15 in Section III.

Management of Information and Information Technology

The Information Management (IM) Group continues to improve the efficiency and effectiveness of the DND/CF information environment. The 2006–2007 Report on Plans and Priorities identified three main transformation activities in the IM Strategic Plan as part of the enterprise approach to the delivery of IM/IT services, and progress has been made in each of these areas.

The approach taken to the transformation of the **Enterprise Resource Planning** (ERP) Environment is somewhat different from what was set out in the original plan. Despite initial impressions to the contrary, closer study indicated that, because the IT industry currently lacks competence in the military field, a single integrated system is not practical for Defence. This realization, coupled with the fact that Defence neither owns nor controls the IM environment in which it participates, has led to the adoption of a strategy that embraces the principles of enterprise and rationalization. At its core, the Integrated Defence Resource Planning environment has a proven Integrated Services Broker that will enable information-sharing among the five main resource-planning capabilities (people, material and engineering, supply and logistics, finance, and facilities management). Initial successes with finance will help enhance the modern management of corporate services, particularly in the area of accountability.

Command and Control (C2) collaboration initiatives continue to be as challenging as those in the enterprise environment. The information exchange requirement is not limited to data and information held by CF sources; some information must be shared through the NORAD and NATO alliances, with coalition partners, and other Canadian government institutions responsible for public safety and security. The C2 capability, which includes timely and secure exchange of resource information, must be supported by a robust, secure and sustainable information technology infrastructure. The Capability Development Board, led by the Chief of Force Development under the Vice Chief of Defence Staff, will oversee all C2 activities, be they new initiatives or in-service enhancements. The IM C2 strategy will be co-managed by the Capability Manager and the J6, the senior staff officer responsible for communications on the Strategic Joint Staff.

IM/IT Service Transformation continues to be a priority for the IM Group in the lead-up to the government-wide rationalization of IM/IT service delivery. The IM Group continues toward its goal of centralized control and oversight of IM/IT services. The large number of programs and the significant amount of money spent on IM/IT outside IM Group programs has made the transformation process slower than expected. Despite the delays, Defence remains committed to service transformation as an integral part of institutional alignment. Although the transformation of IM/IT services is expected to relieve some financial pressure, it will prove its worth by improving operational and administrative effectiveness.

The Chief of Defence Intelligence, being the CF managing authority for Intelligence systems and networks continued to work closely with other Intelligence organizations, domestically and internationally, to ensure that information and intelligence products were available to all our partners and allies. This was done through the establishment of several memoranda of understanding and service level arrangements. Intelligence Network expansion progressed within the allowable limit of resources and will continue to grow over the next several years.

Conduct Operations

The CF continued to successfully fulfill their national and international objectives through operations conducted for the protection of Canadian sovereignty, North American security and participation in UN, NATO and other international missions.

Within Canada, the CF conducted air and sea sovereignty patrols, numerous search and rescue operations and provided support to other government departments when requested. The CF continued to contribute effectively to the defence of North America through NORAD and other bilateral agreements. Internationally, the CF continued to support the campaign against terrorism with the presence of a large contingent of CF members and Reservists in Afghanistan. The CF also supported 14 peacekeeping missions through the provision of staff/liaison officers and military observers.

Defence successfully conducted assigned missions thus contributing to domestic and international peace, security and stability.

Resources Consumed

The costs associated with Conduct Operations are primarily direct costs associated with the conduct of operations. Since the costs to generate these forces are consumed under the Generate and Sustain Integrated Forces Program Activity, not all costs authorized for operations will show under Conduct Operations. For example, the resources spent to purchase weapon systems and provide associated weapons training for personnel are captured under Generate and Sustain while incremental costs of operating the forces in operations will be incurred under the Conduct Operations Program Activity.

Financial Resources

($ Thousands)	Planned Spending 2006–2007	Total Authorities 2006–2007	Actual Spending 2006–2007
Departmental Spending	$1,974,706	$2,395,979	$2,355,403
Capital Spending (included in departmental spending)	$181,778	$223,408	$212,260

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Human Resources

	Planned 2006–2007	Actual 2006–2007
Military (Regular Force) [2]	5,600	6,300
Civilian	2,355[1]	609
Total	7,955	6,909

Notes:

1. The difference between 'Planned 2006–2007' and other columns for 'Generate and Sustain Integrated Forces' and 'Conduct Operations' is due to a reallocation of a portion of CSE.
2. For information on the Reserve Strength see Section II, page 41.

Sources: Vice-Chief of the Defence Staff Group, Chief Military Personnel Group and Assistant Deputy Minister – Human Resources (Civilian) Group

Constant Situational Awareness

Constant situational awareness at all levels is essential to allow for the effective coordination of CF and government responses to threats at home and abroad. Over the reporting period, the CF has endeavoured to enhance situational awareness through initiatives aimed at unifying the national command structure and introducing a system that includes a common information and intelligence network. This is being achieved through close coordination with the Communications Security Establishment (CSE) and the introduction of the Joint Information and Intelligence Fusion Capability (JIIFC) project.

Joint Information and Intelligence Fusion Capability

During fiscal 2006–2007, the Joint Information and Intelligence Fusion Capability (JIIFC) project made significant progress toward defining the CF command and control requirements for the fusion of operational information. In March 2007, the JIIFC Project held a Senior Review Board that decided to continue with the definition phase of the project and uncouple the delivery of the fusion capability from the delivery of the new operational headquarters. The project also significantly revised its statement of operational requirements, concept of operations, charter, project profile and risk assessment, and synopsis sheet to reflect the needs of the Operational Commands more accurately, and define a capability that supports CF information needs better at home and abroad. The project completed Phase 1, the delivery of an initial operating capability in the form of the JIIFC Detachment, during the reporting period, and final operating capability for the complete fusion capability is scheduled for January 2011. Although the project has fallen behind its original schedule, it has set new targets and is on track to complete the definition phase of the CF fusion capability by October 2009.

Communications Security Establishment (CSE)

During fiscal 2006–2007, CSE provided key departments with foreign signals intelligence to support government policy-making in the areas of defence, security and international affairs. CSE worked to protect the government's most sensitive communications and strengthen the security of its cyber systems, and assisted the RCMP and the Canadian Security Intelligence Service in support of their lawful duties.

CSE enabled Defence to protect Canadians through the conduct of operations by enhancing constant situational awareness in the defence, security and international affairs environments. In particular, CSE worked with DND and the CF to advance the Integrated Signals Intelligence (SIGINT) Operational Model (ISOM), which is working well, especially in the context of Canada's mission in Afghanistan. The Chief of Defence Intelligence (CDI) continued to explore and implement enhanced methods to fuse intelligence from a range of sources, including those provided by the Canadian Forces Information Operations Group and CSE. All Source Intelligence Centres delivered services to theatre commanders and leveraged strategic assets at the national level.

Supporting the CF is CSE's highest priority, and collaboration between the two organizations has resulted in enhanced tactical, operational and strategic support.

CSE also continued to strengthen the security of government communications and information infrastructure throughout the reporting period. In its third year of a 12-year program, the Canadian Cryptographic Modernization Program continued to modernize Canadian federal cryptographic equipment and infrastructure to safeguard classified information, maintain secure communications, and ensure the safety of military personnel and Canadians abroad. The following key milestones were achieved during the reporting year:

- online re-key capability for new secure phones; and
- preliminary project approval from Treasury Board for a sub-project to the Canadian Cryptographic Modernization Program to advance the development of the new electronic key management infrastructure required to support the deployment of the next generation of crypto products.

In addition to crypto modernization, to make security services more readily available to government departments, CSE led an interdepartmental evaluation of information technology security service providers to create the Cyber Protection Supply Arrangement (CPSA), which gives government department's access to more than 450 qualified information technology security resources. CSE's Industry Program, which includes the CPSA, directly supported government departments with unclassified and protected systems to meet their information technology security requirements.

Domestic and Continental Operations

During its first year of existence, Canada Command, through its regional Joint Task Forces (RJTFs) in close liaison with USNORTHCOM, NORAD, and other government organizations (especially the RCMP), conducted operations within its area of operational responsibility to detect, deter, prevent, pre-empt and defeat threats and aggression aimed at Canada and North America. Canada Command provided unity of command, and command and control, over all military efforts related to the defence of Canada such as Aid of the Civil Power, assistance to federal and provincial law enforcement agencies, and counter-terrorism support. The requirements for ready-duty ships, high-readiness aircraft, immediate-response units and Maritime Surveillance Operations Centres were maintained as directed.

Due to the Lebanon crisis, a planned deployment to the Great Lakes was not conducted. However, Maritime Coastal Defence Vessels conducted training and port visits as far up the St Lawrence as Québec City.

Search and Rescue

The Canadian federal aeronautical and maritime SAR system responded to 8,744 cases, of which 1,268 involved the tasking of CF resources in 2006[5]. Each year, on average, the SAR system saves the lives of about 1,200 people and helps to provide about 20,000 others with some form of assistance.

Security Patrols

Increasing their operations in Canada's coastal waters, the CF conducted 47 days of counter-drug operations with the RCMP and 112 days of fisheries and SAR patrols in support of the Department of Fisheries and Oceans. During fiscal 2006–2007, Public Security and Anti-Terrorism (PSAT) funding covered 171 sea days of maritime security patrols. In the long term, this higher level of activity will build a strong military presence, enhance familiarity with all coastal areas and activities, and prepare the CF to respond to developing security scenarios and assist with the development and maintenance of the recognized maritime picture.

Operation *CHABANEL*

Operation CHABANEL was a drug-interdiction operation in which the CF supported the RCMP. A vessel chartered by the RCMP sailed to a spot about 200 miles off the coast of Angola, where it took on a load of drugs from a supply vessel. The RCMP crew of the chartered ship spent more than 43 days at sea and seized 22.5 tons of hashish — more than six times the amount of hashish forfeited in or en route to Canada in the entire year previous — thus keeping it off Canadian streets. The operation also led to the arrest of three key members of a Montreal-based criminal organization. Throughout the voyage, the patrol frigate HMCS *Fredericton* shadowed the RCMP vessel, ensuring the safety of the police crew and serving as a command post.

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[5] Year end figures based on SARSUMS reports for December 31, 2006

Operation *PALACI*

Under Operation PALACI, the CF helped Parks Canada control avalanches in the Rogers Pass, which is where the Trans-Canada Highway transits Glacier National Park in British Columbia. Each year, about 15 artillery soldiers — two gun crews — spend the winter in Glacier National Park. They use artillery fire to trigger controlled avalanches and thus ensure the safety of the highway and its users.

Fisheries Patrols

Fisheries patrols, in support of the Department of Fisheries and Oceans, were conducted in Atlantic waters by HMCS *Fredericton* in April, HMCS *Summerside* in May, HMCS *Montréal* in August and HMCS *Fredericton* again in October. The October patrol also covered areas outside the Exclusive Economic Zone. On the Pacific coast, HMCS *Vancouver* conducted fisheries patrols in September and October 2006.

During fiscal 2006–2007, CP-140 Aurora long-range surveillance aircraft flew 720 hours of fisheries patrols in support of DFO. From April to December 2006, deployments in support of DFO enforcement activities were conducted weekly to Gander, Newfoundland, and occasionally to Goose Bay, Labrador, and Iqaluit, Nunavut.

Operation DRIFTNET

CP-140 Aurora long-range surveillance aircraft deployed to Eareckson Air Station, on Shemya Island off Alaska to conduct 180 hours of patrols under the 1992 UN moratorium on drift-net fishing on the high seas. Two Auroras flew 120 hours in early June 2006, tracking and reporting several high-interest vessels. A second deployment, conducted out of sequence by one Aurora in September 2006, found 26 drift-net vessels, collected detailed evidence on five of them, and reported the rest to DFO and the US Coast Guard.

Sovereignty Patrols

The changing climate patterns in the Arctic and the increasing level of economic activity in the region are posing new security challenges, including: increased maritime and air traffic, environmental concerns, increased demand for search and rescue and the possible emergence of organized crime. To respond to these challenges, National Defence continued to study options to improve surveillance, response and presence capabilities in the Arctic. Canada Command, through JTFN, asserted Canadian sovereignty in the North by bolstering its surveillance and response capabilities in the region.

JTFN pursued a comprehensive surveillance program throughout its area of responsibility. The Canadian Ranger Patrol Group, accompanied at times by representatives of other government organizations such as the RCMP, conducted routine surveillance patrols. Air assets, including CP-140 Aurora long-range surveillance aircraft, CF-18 Hornet fighters accompanied by CC-130 Hercules air-air refuellers, CH-146 Griffon tactical helicopters and CC-138 Twin Otter utility transports, ensured that critical areas were covered. Naval vessels worked with Canadian Coast Guard ships, participating in sovereignty patrols and supporting major exercises. Operations, patrols and exercises focused on the Arctic Archipelago and vulnerable areas such as waterways and disputed border areas.

Through JTFN, Canada Command planned and conducted joint and integrated operations to foster inter-agency interoperability and improve conditions and delivery of support with other CF organizations. The three operations were:

- **Operation *NUNALIVUT* in the high Arctic:** From March 24 to April 14, 2007, more than 50 Canadian Forces members travelled close to 8,000 km across some of the world's most challenging terrain to assert Canada's sovereignty over the Arctic Archipelago. This enhanced sovereignty patrol established a military presence and provided an opportunity to evaluate civil and military infrastructure such as airfields and weather stations, some dating as far back as the Second World War. Participants in the exercise gained irreplaceable experience working in extreme weather conditions and terrain.
- **Operation *LANCASTER SENTINAL* in the eastern Arctic:** In August 2006, a joint operation was conducted in Lancaster Sound at the east end of Baffin Island, between Iqaluit and Pond Inlet. This important operation involved the patrol frigate HMCS *Montréal*, the maritime coastal defence vessels HMCS *Moncton* and HMCS *Goose Bay*, a CP-140 Aurora long-range surveillance aircraft, soldiers and air force personnel, Parks Canada employees, and members of the Canadian Coast Guard and the RCMP. Three infantry sections set up observation posts, each supported by Canadian Rangers. The CF elements of the operation conducted surveillance in the vicinity of southeast Devon Island, the Borden Peninsula and Pond Inlet, while the ships patrolled Lancaster Sound with visitors and media embarked in HMCS *Montréal*, and conducted fisheries patrols and community visits in Clyde River and Quikitarjuak, accumulating a total of 68 sea days.
- **Operation *BEAUFORT SENTINAL* in the western Arctic:** Conducted in August 2006, this exercise was combined with sovereignty patrols to maintain situational awareness in the Arctic and foster community relations. It involved more than 60 CF members, including members of the Canadian Ranger Patrol Group, the RCMP and Canadian Coast Guard. Liaison visits were made to Komakuk Beach, Herschel Island, Shingle Point, Pullen Island and Hooper Island. Resources involved included the RCMP vessel *Mackenzie*, two rigid hulled inflatable boats from the Canadian Coast Guard and, from the air force, one CC-138 Twin Otter utility transport aircraft and one CP-140 Aurora long-range surveillance aircraft.
- Between August 24 and August 29, JTFN personnel visited the stations at Mould Bay, Isachsen and Resolute Bay, NWT, to update critical infrastructure information — specifically the state of the airstrips. In June and July 2006, patrols of the North Warning System were conducted to assess the security and physical condition of sites at Igloolik and Tuktoyaktuk, NWT and Gjoa Haven, Kugaaruk, Oikitarjuag and Pangnirtung, Nunavut.

Humanitarian Assistance

Throughout 2006, Canada Command and its Regional Joint Task Forces monitored flood conditions and forest fires and developed contingency plans for communities at risk where civilian agencies may not have been able to provide the required support. Liaison officers from Canada Command joined several other government departments, thus ensuring timely sharing of critical information and, when necessary, early involvement of Canada Command. In September 2006, the Emergency Measures Office of the Province of Ontario received military support when forest fires threatened several northern communities.

During fiscal 2006–2007, CF humanitarian assistance operations consisted of intense planning during flood-relief operations in the Kootenay and Boundary regions of British Columbia, and in the Ontario towns of Moose Factory, Kashechewan and Attapawiskat. On May 27, 2006, when about half the village of Aklavik, Northwest Territories, was inundated by the spring rush of the Mackenzie River, CF aircraft were used to bring people out of the flooded areas, and evacuees were sheltered in the military accommodations in nearby Inuvik. In May 2006, the CF supported the Emergency Measures Organization of the Province of British Columbia when high snowmelt runoff and heavy rain brought the Fraser River to dangerous levels. Elements of 39 Canadian Brigade Group deployed to Chilliwack, B.C. to respond to the emergency.

Forest fire-fighting operations in Québec, Ontario, Manitoba, Saskatchewan and British Columbia also required intense planning to ensure the CF would be ready when civilian authorities asked for help. In May and June 2006, large fires near the Mistissini Reserve, some 550 km north of Montréal, caused Canada Command staff to prepare contingency plans for an evacuation using CH-146 Griffon helicopters. More than 3,500 people eventually had to leave their homes, but CF assistance was not required.

State Visits and Ceremonial Events

During the reporting period, the CF supported state visits to Canada from the President of Latvia, the President of Afghanistan and the King and Queen of Sweden, and a tour of Africa by Governor General Michaëlle Jean. In addition, navy, army and air force contingents took part in a wide range of ceremonial events, including the national Aboriginal Veterans' Day, Remembrance Day observations in Ottawa.

Operation NOBLE EAGLE

Aerospace surveillance and control of North America under the NORAD Agreement includes participation in *Operation NOBLE EAGLE*, the provision of surveillance patrols against or interception of a potential airborne terrorist threat. In the event of a Noble Eagle intrusion, Canada Command would provide the CF contribution to any consequence management activity. To ensure readiness, Canada Command participated in nine Noble Eagle exercises.

Operation CONNECTION

Operation CONNECTION is the consolidation of CF activity to enhance public awareness of the military and to support recruiting efforts. Major events conducted under *Operation CONNECTION* during fiscal 2006–2007 included the Nova Scotia International Tattoo, the national Canada Day celebration in Ottawa, the Calgary Stampede, the Canadian National Exhibition in Toronto, the Pacific National Exhibition in Vancouver and, the Grey Cup game in Winnipeg.

International Operations

The CF continued to participate in a variety of international operations during fiscal 2006–2007, the first full fiscal year in which all international CF operations have been commanded and conducted by CEFCOM, which stood up on February 1, 2006. The diversity of missions in which the CF is involved meant that deployed task forces faced challenges ranging from humanitarian assistance to combat, in concert with international partners. The reporting period was also the first full year in which CANOSCOM was responsible for combat support and combat service support to overseas missions.

During the reporting period, the CF engaged in 21 distinct missions outside North America, and had, on average, about 2,800 personnel deployed overseas at any given time, most of them assigned to Joint Task Force Afghanistan. With most troops on the normal six-month rotation, this level of activity means that, over the complete personnel cycle of training, engagement and post-deployment activities, a very substantial number of CF members were committed to an overseas mission at some point during fiscal 2006–2007.

All the current CF international deployments are described and located on a map at http://www.forces.gc.ca/site/operations/current_ops_e.asp

International Campaign Against Terrorism

During the first months of the reporting period, Joint Task Force Afghanistan was operating with the US led coalition conducting *Operation ENDURING FREEDOM* in Kandahar Province. On July 31, 2006, Joint Task Force Afghanistan was assigned to the UN-authorized, NATO-led International Security Assistance Force (ISAF) as it assumed command of the southern region of the country. ISAF has a mission to improve the security situation in Afghanistan and assist in rebuilding the country. As NATO control expanded throughout Afghanistan, a sub-command called Regional Command South, of which Kandahar Province is a part, was taken over by ISAF and led by a Canadian general until a scheduled transfer of command responsibilities to the Dutch in November 2006.

All CF members serving in Afghanistan are under the authority of the Commander of Joint Task Force Afghanistan (JTF Afg). JTF Afg comprises a Canadian battle group, a Provincial Reconstruction Team to help local authorities with reconstruction and the maintenance of security, and an Operational Mentor and Liaison Team to help the Afghan National Army develop its capabilities. The CF also staffs 45 positions at ISAF Headquarters in Kabul.

Distinct from Canada's contribution to ISAF is the deployment of CF members with the Strategic Advisory Team in Kabul through a bilateral arrangement with the Afghan government to assist in the development of national strategies and institutions. Also, 25 CF personnel are assigned to the Combined Security Transition Command, part of *Operation ENDURING FREEDOM*, which trains and mentors Afghan security forces, both Army and Police.

As part of the "whole of government" approach to operations in Afghanistan, deployed CF members worked closely with representatives of other Canadian government institutions, notably the Department of Foreign Affairs, Correctional Services Canada, and the Canadian International Development Agency, to further overall Government of Canada objectives.

On January 6, 2007, RANA FM Radio went on the air in Kandahar City and surrounding areas under the control of the Commander of JTF Afg. All its programming, broadcasted from Kingston, Ontario, is designed to appeal to Afghan listeners through music, information, news and "edutainment" in the local language, and it gives the Commander a ready means to communicate messages promoting Afghanistan and informing people about JTF Afg operations and activities affecting the region.

The Afghanistan mission has involved Canada's soldiers in their first sustained engagement in combat since the Korean War. During fiscal 2006–2007, 34 CF members lost their lives in this operational theatre, the largest annual number of Canadian military operational fatalities in more than 40 years. This period also saw an unprecedented number of recognition submissions, including the first nominations for the Canadian Valour decorations, which are awarded for extraordinary performance in the presence of the enemy.

Canada commanded NATO Standing Naval Maritime Group One (SNMG 1) from January 2006 until January 2007. Canada's commitment consisted of core SNMG 1 staff, HMCS *ATHABASKAN* (January thru July), and HMCS *IROQUOIS* (July thru January). SNMG 1 is one of four immediate maritime reaction forces that provide NATO the ability to respond quickly and with flexibility to promote NATO's interests anywhere in the world.

The aim of the first 6-month commitment was to prepare the SNMG1 group for certification to Full Operation Capability. The second period, from October to December 2006, was heavily devoted to Interdiction Operations. SNMG 1 also participated in anti-terrorism operations for two months in the Mediterranean.

From November 2006 to January 2007, HMCS *OTTAWA* deployed to the Gulf region as part of a coalition of naval forces, under US leadership, conducting surveillance patrols and maritime interdiction operations in the Arabian Gulf region. The Navy's participation in *Operation ALTAIR* contributed to international peace and security, enhancing the security of Canadians at home and abroad, while demonstrating Canada's continued commitment to its coalition allies and enhancing global stability.

In addition to direct support of Canada's commitments in Afghanistan, some CC-130 Hercules flying hours were designated to NATO as a contribution to ISAF. Also during this period, these aircraft conducted tactical re-supply airdrops in a combat environment for the first time in many years.

Other International Missions

In July 2006, when open conflict suddenly erupted between Israeli forces and Hezbollah units in Lebanon, the CF was tasked to support the Department of Foreign Affairs by assisting with the evacuation of approximately 15,000 Canadian citizens from Lebanon. The CF contribution of more than 150 personnel included command and control elements from the CF Joint Headquarters in Kingston, elements of seaport and airport movement and embarkation security, a medical section, naval liaison personnel, and experts to help DFAIT with planning, logistics, security and communications.

CF members also played key roles in numerous United Nations and other internationally sponsored missions in various African locations, Eastern Europe, the Middle East and Haiti. In July 2006, a CF member was killed while on duty as a United Nations Military Observer on the border between Israel and Lebanon.

On March 28, 2006, the CF closed its last tactical mission in the Balkan region, more than 15 years after the first Canadians deployed from Germany at the beginning of UN operations in that part of the world.

The financial costs of CF international operations are set out in Section III, Table 12.

Disaster Assistance Response Team

Experience garnered from past DART missions in Sri Lanka and Pakistan have led to an enhancement project focusing on human resources, infrastructure and equipment. Additional personnel requirements were identified and augmentation commenced, with completion expected by summer 2007. Infrastructure improvements were realized with expansion of the DART warehouse office and conference facilities, the addition of a dispatch office, and construction of a new facility for repair and maintenance of optical equipment and electronic control systems. The first phase of equipment acquisition, intended to standardize DART equipment with the rest of the CF, improve the DART's sustainability in the field, and cut weight and improve efficiency, began during fiscal 2006–2007. The first deliveries of multi-purpose engineer vehicles, lightweight portable ablution systems, and initial water purification systems were received; the remainder of these acquisitions, as well as lightweight tents and deployable refrigeration units, is expected in the next fiscal year.

Contribute to Canadian Government and Society, and the International Community, in Accordance with Canadian Interests and Values

Throughout the reporting period, DND and the CF provided advice to the Government of Canada on a wide range of security and defence issues, which allowed senior leadership to make sound, well-informed policy decisions. Defence exploited opportunities to form and improve strategic partnerships with other government departments and with the defence institutions of Canada's allies. Strengthening Canada's defence relationship with the United States was an area of particular attention. The renewal in perpetuity of the NORAD Agreement, which included the addition of a maritime warning function, was an important achievement on this front. The Security and Defence Forum, mandated to develop a domestic competence and national interest in defence issues of relevance to Canadian security, continued to provide DND and the CF with the opportunity to support Canada's security and defence academic community financially and in other ways. Defence also contributed to Canadian society through its research and development program, and as one of the country's largest employers. In addition, Defence contributed to Canadian society through regional industrial benefits arising from various procurement projects and other investment. Dealing with the US International Traffic in Arms Regulations (ITARs) continued to be a key challenge in this context. Defence also made a significant contribution to global security during fiscal 2006–2007. Afghanistan continued to be the primary focus of CF deployed operations.

Resources Consumed

Financial Resources

($ Thousands)	**Planned Spending 2006–2007**	**Total Authorities 2006–2007**	**Actual Spending 2006–2007**
Departmental Spending	$928,019	$959,493	$875,194
Capital Spending (included in-departmental spending)	$27,069	$29,354	$30,572

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Human Resources

	Planned 2006–2007	**Actual 2006–2007**
Military (Regular Force)	971	995
Civilian	1,444	1,501
Total	2,415	2,496
Note: For information on the Reserve Strength see Section II, page 41.		

Sources: Vice-Chief of the Defence Staff Group, Chief Military Personnel Group and Assistant Deputy Minister – Human Resources (Civilian) Group

Provide Advice to the Government of Canada

Defence and Security Policy Advice

DND and the CF provided the Government of Canada with sound, timely advice on a wide range of security and defence issues, thus preparing senior leaders to make sound, well-informed policy decisions that reflected Canadian interests and values. Among other concerns, Defence continued to advise the government on the formulation and execution of defence policy, including the drafting of the *Canada First* defence strategy document; international defence relations, with valuable input from personnel participating in the Exchange and Liaison Program and the Defence Attaché Program; the nature of the current and future security environment; and the planning and conduct of CF operations at home and abroad.

Defence also expanded its ability to gather intelligence for the Government of Canada by adding intelligence liaison officers from the United Kingdom and Australia to the staff of National Defence Headquarters. Defence also strengthened its intelligence links to Australia by the establishment of a Canadian Forces Intelligence Liaison Office in Canberra to be staffed in the summer of 2007. During the reporting period, Defence also began developing a new human intelligence (HUMINT) capability that is expected to be in place by the summer of 2007.

Defence provided the government with advice on security and defence science and technology through the Assistant Deputy Ministers' Committee on Science and Technology and the Assistant Deputy Ministers' Science and Technology Integration Board. Defence also delivered the Defence S&T Strategy, the first ever full departmental strategy for science and technology that highlights the importance of DND's investment in S&T and will guide it over the course of the next five years. The Defence S&T Strategy effectively supports CF operations and transformation by contributing directly to the advancement of Canadian military capabilities.

Finally, DND provided the government with communications advice on the defence dimensions of the 2006 Speech from the Throne and Budget 2006; new developments in issue-specific areas, such as defence and security relations between Canada and the United States; international conferences involving Defence; and the acquisition of new equipment and technologies. Defence continued to support efforts to facilitate public understanding of the Defence role, to build a positive image of the CF, and to demonstrate the relevance of Defence organizations, especially the CF, to Canadians.

Through its new Chief of Force Development organization, DND began to implement a top-down force-development process through the institutionalization of capability based planning and new governance mechanisms such as the Capability Development Board. The intent is to give senior DND/CF leadership the best possible strategic advice on (among other things) the future force structure and the acquisition of future military capabilities consistent with government policy and priorities. This advice included technical and analytical input from the Defence science and technology organizations and advice on new intelligence, surveillance and reconnaissance capabilities from the Chief of Defence Intelligence. Intelligence was also provided to help mitigate the threat posed by improvised explosive devices, directly contributing to the protection of deployed CF personnel.

Strategic Partnerships

Through its Policy Group, DND worked closely throughout the reporting period with DFAIT, CIDA, Public Safety Canada and the Privy Council Office (PCO) to ensure that the CF continue to play an appropriate role in a "whole-of-government" approach to national and international security. Both Canada Command and Canadian Expeditionary Force Command made significant progress in establishing effective relationships with their interlocutors in Canada, the US, and international organizations at the operational level. The new Chief of Defence Intelligence organization developed strong ties with the broader intelligence community through its participation in Interdepartmental Expert Groups derived from intelligence issues of relevance to CEFCOM and Canada Command that included representatives from the PCO, CSE, CSIS, CSC and DFAIT. In Afghanistan, Defence worked closely with DFAIT, CIDA and the RCMP. Through the interdepartmental Strategic Advisory Team in Kabul, Defence helped develop and support the Afghan National Development Strategy and provided the Centre for Afghan Peace and Security with analysis support. Ongoing preparations for the Vancouver 2010 Olympics and contingency planning for a range of international and domestic operations were also conducted in co-operation with various Canadian government departments and agencies.

Canada Command built and maintained critical relationships and information exchanges with key partners in other Canadian government departments, at NORAD and with USNORTHCOM.

In its first year, Canada Command developed its Regional Joint Task Forces into a joint, unified and integrated command responsible for all routine and contingency operations in Canada and North America. The entire continent is viewed as a single operational area with the national headquarters exercising command and control through six asymmetric subordinate commands that reflect the regional nature of the country. Working through his RJTF commanders, the Commander of Canada Command was responsible throughout the reporting period for the conduct of all domestic operations, and is the national operational authority for the defence of Canada and North America. The new command structure provided liaison officers at various locations and with other key government organizations to foster valuable exchanges of information on operational issues and maximize unity of effort.

Continue to Strengthen Defence and Security Arrangements with the US

Defence continued to promote security in North America and the broader hemisphere by:

- Maintaining our standing relationships with the US land, maritime and air forces;
- Working with US officials through the Permanent Joint Board on Defence and the Military Cooperation Committee;
- Developing effective working relationships between NORAD, USNORTHCOM, and Canada Command; and
- Addressing security issues with Mexico.

With its US partners, Defence also began the process of implementing the new maritime warning function of NORAD, established on May 12, 2006, when Canada and the US renewed the NORAD Agreement in perpetuity. This new mission will enhance both countries' ability to track and respond to sea-borne threats before they reach the shores of North America.

Security and Defence Forum

Through an annual grant of $2.5 million, the Security and Defence Forum is mandated to build and support a Canadian knowledge base, foster informed discussion and commentary on public policy, and enhance communications and interaction between the academic community and Defence. During fiscal 2006–2007, the Security and Defence Forum funded a Chair in Defence Management Studies and Centres of Expertise at 12 Canadian universities that were responsible for 14,457 student enrolments, 316 courses and 1,213 media interviews. The Security and Defence Forum also gave Canadian scholars $402,500 in fellowships, scholarships and internships and funded 56 special research projects, conferences and workshops in eight Canadian provinces.

Defence and Security Military Advice

Defence Research and Development Canada

The Counter Terrorism Technology Centre (CTTC) at the Defence Research & Development Canada (DRDC) centre in Suffield, Alberta, is a key component to Canada's ability to respond to domestic and international chemical, biological, radiological, nuclear and explosive (CBRNE) incidents. The mandate of the CTTC is to train civilian and military personnel to respond to and manage CBRNE events, test and evaluate the equipment they require, and to provide forensic sample analysis support and demilitarization expertise to resolve situations involving old weapons and ordnance.

During fiscal 2006–2007, the CTTC trained 1,372 participants from 23 countries, delivering 138 training days. Training sessions included Canadian Forces personnel, domestic first responders, employees of other government departments, members of foreign military and responder groups, personnel responsible for the conduct of NATO *Exercise PRECISE RESPONSE*, and inspectors from the Organization for the Prohibition of Chemical Weapons. Fiscal 2006–2007 also saw the opening of the lecture training facility and the indoor training arena at the CTTC's Cameron Centre Complex.

DRDC conducted many other important activities that produced defence and military advice for the Government of Canada. Through a Memorandum of Understanding with the Department of Public Safety, DND established the DRDC Centre for Security Science to provide science and technology advice on public safety and security issues. The Centre for Security Science comprises the Chemical, Biological, Radiological-Nuclear and Explosives (CBRNE) Research and Technology Initiative (CRTI), which co-ordinates CBRNE counter-terrorism S&T for 19 federal partners, and the Public Security Technical Program (PSTP), which co-ordinates the federal S&T approach to all-hazards preparedness and response. Originally funded under the Public Security and Anti-Terrorism initiative in 2001, the CRTI received five years of renewal funding in 2006. The DRDC Centre for Security Science also worked with the US Department of Homeland Security to revitalize collaborative activities under the 2004 Canada-US Public Security Technical Program.

The Defence S&T Strategy, released in the fall of 2006, guides the Defence S&T Enterprise and S&T functional authorities. The DRDC Centre for Security Science provides direct support to the Department of Public Safety. In collaboration with Public Safety, the DRDC Centre for Security Science is continuing to develop a Public Security Science and Technology strategic framework to guide S&T investments in supporting capability needs, not only those of the Canadian Forces but also those of more than

21 federal government departments and agencies with public security responsibilities. The Canada–US Public Security Technical Program continued to be the primary vehicle for international collaboration.

In response to the Government of Canada's stated emphasis on Arctic sovereignty, DRDC established a Northern S&T Working Group in April 2006 to develop a high-level roadmap of possible S&T activities to address overall Northern security capability requirements with respect to sovereignty, protection of human lives and cultural traditions, enforcement, and Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR). The Northern S&T Working Group developed the recently approved proposal for the Northern Watch Technology Demonstration Project to address intelligence, surveillance and reconnaissance capability gaps in Canada's North identified by previous operational research studies and confirmed through high-level consultations across Defence.

DRDC actively pursued an omnibus technology demonstration project to examine and develop promising and innovative technologies that can be used against the evolving threat of homemade bombs (more formally called "improvised explosive devices" or IEDs) planted on roads. This is especially important, as the IEDs are the cause of most of the recent CF casualties in Afghanistan. Examples of these new technologies include the improvement of neutralization, protection, detection and inspection technologies employed by explosive ordnance disposal (EOD) and IED disposal teams to enable them to deal more effectively with explosive devices of all kinds. DRDC provided recommendations on the optimal mix of tools and equipment for IED disposal and EOD personal protective equipment, thus laying the foundation for the introduction of new operational tools to defeat large vehicle-borne bombs and remote-controlled IEDs. As well, DRDC continued to provide advice on improvements to vehicles and personnel protection equipment and techniques to mitigate the effects of IEDs.

Arms Control and Proliferation Security

Throughout the reporting period, Defence worked to ensure the successful achievement of key arms-control and other proliferation security objectives in close co-operation with DFAIT and NATO. Efforts continued in advancing and consolidating multi-faceted approaches to the prevention, containment and reduction of the proliferation of conventional weapons and weapons of mass destruction. Canada continued to support the Proliferation Security Initiative, the Chemical Weapons Convention, the Biological and Toxin Weapons Convention, the Nuclear Non-Proliferation Treaty, and the G8 Global Partnership Program.

Defence continued its lead role in Canada's contribution to UN regulatory activities targeting small arms and light weapons, including work to achieve the ratification of Protocol V (Explosive Remnants of War) to the Convention on Certain Conventional Weapons.

Defence also provided essential advice and guidance to the Canadian delegation to the Organization for Security and Co-operation in Europe (OSCE), leading up to and including Canada's assumption of the chairmanship of the Forum for Security

Co-operation. Defence provided additional staff support to the Canadian delegation to the OSCE to support Canada's role in the Forum for Security Co-operation.

Throughout fiscal 2006–2007, work on optimizing the planning, co-ordination and execution of international arms-control verification and observation operations accelerated. This increased effort allowed Defence to achieve maximum value for the money it spent on meeting Canada's international implementation commitments under the Treaty on Conventional Armed Forces in Europe, the Vienna Document 1999 of the Negotiations on Confidence- and Security-Building Measures, the Dayton Peace Accord, the Treaty on Open Skies, the Chemical Weapons Convention and the Small Arms and Light Weapons initiatives.

Specifically, CF assets were apportioned to ensure the most effective, efficient execution of treaty-mandated on-site and area inspections; reconnaissance, evaluation and escort missions; training and assistance to foreign verification organizations; and a range of observation and monitoring functions and military-diplomatic contacts.

In addition, planning and preparations progressed in anticipation of forthcoming implementation commitments associated with new non-proliferation, arms-control and disarmament treaties, regimes and agreements. These efforts have been undertaken in keeping with Canada's strategic objectives to reduce and control various categories of weapons, limit and lower the threshold of conflict, and increase trust and security among states.

For more information about arms-control and proliferation security, visit: http://www.dfait-maeci.gc.ca/arms/menu-en.asp.

Contribute to Canadian Government and Society in Accordance with Canadian Interests and Values

Defence continued to make a valuable contribution to Canada's search and rescue capability, provided mechanisms for addressing grievances with the CF, and contributed extensively to the Canadian economy. Defence also continued to employ thousands of Canadians in a dynamic, inclusive and respectful work environment. Through various Cadet programs, DND and the CF also made a positive contribution to youth development and education in Canada.

Support Government of Canada Programs

National Search and Rescue Secretariat and National Search and Rescue Program

The National Search and Rescue Secretariat (NSS) was established in 1986 and is accountable through the Interdepartmental Committee on Search and Rescue (ICSAR) to the Minister of National Defence (acting in the capacity of Lead Minister for Search and Rescue) for the development, co-ordination, analysis and review of federal SAR policies, programs and plans, and for specific activities. ICSAR includes representatives from six federal departments and agencies providing SAR services: Defence (specifically the CF); the Department of Fisheries and Oceans (specifically the Canadian Coast Guard);

Environment Canada (specifically the Meteorological Service of Canada); Parks Canada; the RCMP; and Transport Canada.

NSS Program Activities

SAR NEW INITIATIVES FUND

The Search and Rescue New Initiatives Fund (SAR NIF) has an annual allocation of $8.1 million to enhance SAR prevention and response activities in Canada. During fiscal 2006–2007, 15 new projects were approved and work continued on 26 established projects. During this reporting period, the NSS implemented significant changes to the delivery of the SAR NIF, adding clarity and transparency to the application and selection processes for new initiatives. The changes included: updating the program guide and application procedure; establishing a technical review panel for research and development proposals; and strengthening the Merit Board scoring system.

Audits are performed annually on selected SAR NIF projects to ensure accountability and effective use of public funds, and the probity, objectivity and independence of governing authorities. To increase the efficiency and efficacy of the program, auditors' recommendations are implemented within the year following receipt of the report.

NATIONAL SAR PROGRAM MANAGEMENT FRAMEWORK

During fiscal 2006–2007, the Secretariat improved the National SAR Program management framework by implementing a Performance Measurement Strategy. Performance indicators were selected and approved by ICSAR based on feasibility, relevance and availability of data and information. The NSS consulted federal partners to review performance measurement requirements and to encourage and facilitate implementation of SAR-related performance measures.

CO-ORDINATION OF THE NATIONAL SAR PROGRAM WITH EMERGENCY MANAGEMENT AND PUBLIC SAFETY ACTIVITIES

Federal, Provincial and Territorial Co-ordination: During fiscal 2006–2007, the NSS organized a joint meeting of ICSAR and the Ground Search and Rescue Council of Canada to strengthen the links between the federal departments that deliver SAR services and provincial and territorial emergency management organizations. The NSS also provided secretarial support to a special working session of the Ground SAR Council for the development of a framework for a five-year plan.

International Initiatives and Co-ordination: A partnership was developed with the US to contribute SAR repeater stations for the new distress alert system based on middle-earth-orbit satellites. In October 2006, as Canada's representative at the COSPAS-SARSAT Council, the NSS added the role of chair to its program-management and liaison responsibilities.

Information Management and Data Exploitation: With linkages established with the Canadian Coast Guard and the Joint Rescue Co-ordination Centres, the NSS now has access to information from the Statistical Information on Search and Rescue database and the SAR Mission Management System that will improve the ability of the NSS to review and assess the performance of the National SAR Program.

Interoperability and co-ordination of activities between the National SAR Program and the emergency management and public safety community has been improved by providing, facilitating and attending the Search Master Course at the CCG College in Sydney, Nova Scotia; the National Search and Rescue Exercise (SAREX) held in North Bay, Ontario; the Major Air Disaster Table-Top Exercise conducted by Canada Command; and the Major Marine Disaster Exercise organized by JRCC Victoria in co-operation with the British Columbia Ferry Corporation.

Northern SAR Strategy: In its efforts to advance the Northern SAR Strategy, the NSS participated in the Nunavut Search and Rescue Conference with the Government of Nunavut. Linkages were established with the Nunavut Federal Council, the RCMP and the Nunavut Emergency Management Office to lay the foundation of the Nunavut SAR Strategy Working Group. Similar activities are being planned for the Northwest Territories and Yukon Territory. Once formed, these northern working groups will be linked with other SAR program planners in the federal government and elsewhere. Contacts have also been made with the Department of Indian and Northern Affairs and the International Polar Year Secretariat.

Pleasure Craft Incident Reporting: In February 2007, as a result of proposed amendments to the Transportation Safety Board regulations, the NSS formed and chairs a working group comprising representatives from federal, provincial and territorial emergency management and other public safety organizations across Canada to review and address requirements related to reporting SAR incidents involving pleasure craft.

National SAR Prevention Working Group: The NSS chairs the National SAR Prevention Working Group, which is made up of representatives from prevention expert organizations across Canada, both in government at the federal, provincial and territorial levels and in the private sector.

Annual Search and Rescue Conference: In 2006, the NSS co-hosted Canada's national search and rescue conference, SAR*SCENE*, with the Sûreté du Québec and the Association Québécoise des Bénévoles en Recherche et Sauvetage. Held in Gatineau, Quebec, the conference featured more than 70 presentations, exhibitors and demonstrations, and drew participants from across Canada and internationally.

Canadian Forces Grievance System

During fiscal 2006–2007, significant work was done at the Canadian Forces Grievance Authority (CFGA) to enhance the CF Grievance System and its visibility to all levels of the CF. The following outcomes show the key results for the period.

Grievance Registry and Tracking System

Effective August 2006, all CF units were required to register their grievances with the CFGA for input into the National Grievance Registry. The aim was to build upon the full life-cycle grievance system by enabling CF-wide tracking of grievances from initial submission to final decision. The provision and population of data in the registry has improved overall awareness of the grievance situation in the CF. Efforts continue in developing an interface for use by everyone involved in the redress of grievance process to track the status of all grievances.

Governance Tools

Continuing in efforts to make the grievance process more visible, progress has been made on updating the available governing tools. Handbooks for commanding officers, grievors and assisting members have been written, and will be published when the translation is complete.

Grievance Stakeholders' Committee

A Grievance Stakeholders' Committee was established to improve the effectiveness of the CF Grievance System. As a result of this forum, advancements have been made with the CFGA and the Canadian Forces Grievance Board (CFGB) working jointly, through a lengthy analysis, to identify certain inefficiencies in the grievance system. Key enhancements to the system were tried within the current regulatory framework. Depending on the analysis of the outcome of the trial, a complete, progressive and phased implementation should be set in motion, including the requirement to amend the regulatory framework.

Official Languages

In November 2006 the Chief of the Defence Staff and the Deputy Minister of National Defence approved the promulgation of a new Official Languages Program Transformation Model covering the period from April 1, 2007 to March 31, 2012. The three principal aims of the Transformation Model are as follows:

- Ensure that linguistically qualified civilian employees and CF members are in the right place at the right time to support CF operations effectively and to comply with the *Official Languages Act* (OLA);
- Establish an enhanced OLA Awareness and Education program that ensures that civilian employees and CF members understand their linguistic rights and obligations fully; and
- Implement a performance measurement system that will more accurately monitor the ability of Defence personnel to provide consistent leadership, instruction and services in both official languages when and where required by the Act.

Canadian Forces Members

More than 70 percent of the Lieutenant-Colonels and Commanders selected for promotion during fiscal 2006–2007 had a minimum linguistic profile of CBC at the time of promotion. This is in line with the commitment reiterated in the Model, that 70 percent of officers selected for promotion to the rank of Colonel or Captain (Navy) must attain a CBC (superior) language profile within one year of promotion.

All officers selected as commandants of national-level CF schools must hold a minimum linguistic profile of CBC. This policy, which applies primarily to Lieutenant-Colonels and Commanders, was complied with during fiscal 2006–2007.

Civilian Employees

The Human Resources – Civilian Group continues to support the *Official Languages Act* and Defence second language capacity through the development and implementation of Official Languages strategies and policies and the delivery of second language training.

As of March 31, 2007: 16 employees are in class and 90 are on the waiting list, and 98 percent of the civilian Executive group (EX) meet the CBC profile. Although 88.0 percent of the groups feeding the EX group meet the language requirements of their positions, only about 30 percent of EX feeder groups meet the CBC profile. This situation may affect civilian succession planning.

Employment Equity

The Corporate EE Action Plan, including a detailed analysis of diversity and employment equity training and education needs, was completed during the reporting period; 82.5 percent of Defence civilian employees completed the self-identification form. Alignment of employment equity with the DND Recruitment Strategy is continuing, and the development of the DND EE Staffing Program is completed. During fiscal 2006–2007, 70 percent of Executive Performance Management Agreements referred to employment equity commitments.

Employment Equity Workforce Representation compared with Labour Marked Availability (LMA)

Total DND workforce: 23,540*	DND		LMA		+/-	Ratio
Women	9,419	40.0%	9505	40.4%	-86	.99
Visible Minorities	1,131	4.8%	1412	6.0%	-281	.80
Aboriginal	560	2.4%	550	2.3%	+10	1.02
Persons with a Disability	1,188	5.0%	930	4.0%	+258	1.28

*As of December 31, 2006

Note: The groups with the lowest representation of visible minorities are in the Technical and Operational categories (e.g. EG, EL, GT, GLMDO, GLFOS)

EMPLOYMENT EQUITY REPRESENTATION IN THE EX GROUP

Total EX: 103*	DND		LMA		+/-	Ratio
Women	44	42.7%	44	42.8%	0	1.00
Visible Minorities	5	4.9%	7	7.1%	-2	.71
Aboriginal	1	1.0%	3	2.5%	-2	.33
Persons with a Disability	5	4.9%	3	2.6%	+2	1.67

*As of December 31, 2006, does not include Acting/Executives

EE Staffing Program

Section 5.1 of the former *Public Service Employment Act* (PSEA) gave departments the authority to make employment equity appointments in support of departmental goals.

This delegation of authority does not exist in the new PSEA, but the new Act does give departments the flexibility to consider EE as a merit criterion. This provision has enabled Defence to continue its progress toward its representation goals in recruitment and staffing. To further ensure that EE is thoughtfully considered at key decision points in the selection and appointment processes, EE program elements have been developed and integrated into the departmental Guidelines on Staffing Options. Representation rates will continue to be monitored, and additional mechanisms will be put in place to monitor the use of staffing actions next year.

As a result of the comprehensive analysis conducted of diversity and employment equity training needs, a Diversity/EE Training Strategy and Action Plan was developed, approved and implemented. The Action Plan contains initiatives such as the review, design and development of products such as diversity training for employees and a training program for EE practitioners.

Contribute to Canadian Economy and Innovations

Co-operation in International Research and Development

DRDC conducts much of its research in collaboration with other nations through many international agreements such as The Technical Cooperation Program (TTCP), involving Canada, the United Kingdom, the US, New Zealand and Australia; the NATO Research and Technology Organisation (RTO); the Technology Research and Development Projects (TRDP) Agreement and the Master Data Exchange Agreement (MDEA) with the US. These agreements facilitate the exchange of knowledge and expertise between and among the participating nations and heighten Canada's international profile.

DRDC scientists participated in the TTCP Electronic Warfare Systems Group that evaluated the performance of missile warning sensors and systems in live missile firings at the 2006 Man-Portable Air Defence System (MANPADS) Week. The sensor evaluation conducted by this team is expected to lead to advanced missile warning sensors with better performance at lower installed cost, improving the self-protection capabilities of systems already in the Canadian inventory and allowing deployment on more aircraft.

DRDC also participated in the NATO RTO Applied Vehicle Technology panel that developed highly novel methods for inspecting corroded structures and quantified the probability of detecting service-induced cracks in typical engine parts. These methods offer the enormous benefit of reliably assessing the airworthiness of damaged parts. This experience also led to the development of Canada's finest suite of fracture mechanics test facilities, with specialized laboratories serving both the airframe and engine industries that support both military and civilian aircraft programs.

Many factors contribute to an increase in the number and intensity of military operations conducted in urban areas. Using war-gaming and the expertise of soldiers from all NATO countries, the Command and Control Challenges in Urban Operations research group (part of the Information Systems Technology panel) demonstrated how information technologies could assist urban military operations on foreign soil at and below battalion level. The research group identified information requirements that were deemed critical to the conduct of urban operations to illustrate how they could be met with the help of information technologies available today.

The Memorandum of Understanding on Chemical, Biological and Radiological Security was amended in 2006–2007 to include Australia and provide for the development of a long-term strategy and roadmap that will enable Australian, Canadian, British and US forces to function in any environment unencumbered by CBR effects or threats.

Representatives from DRDC participated in a meeting organized under a trilateral Memorandum of Understanding between Canada, Sweden and the Netherlands. The goals of the meeting were to exchange information on the activities of each country's defence research organization with respect to nano-micro technology, and to formulate a list of project concepts with potential for collaborative S&T that meet the anticipated future defence S&T objectives of all three nations and leverage their respective strengths and expertise in nanotechnology.

Contribute to Canadian Identity

Canada's history, heritage and identity

During fiscal 2006–2007, Canada's history and identity was represented clearly through the following events and undertakings by the Directorate of History and Heritage at National Defence Headquarters:

- **Interment of the Remains of Canadians from the First and Second World Wars:** The recently discovered bodies of three Canadian soldiers were interred in the Netherlands and one in France. The remains of a fourth Canadian soldier were successfully identified at Avions, France and interred in conjunction with the events surrounding the 90th anniversary of the Battle of Vimy Ridge in April 2007. Forensic work indicates that remains found in Hong Kong and Myanmar are not likely to be Canadian.
- **Commemorative Events in Support of Veterans' Affairs Canada:** The observations of the 90th anniversary of the Battle of the Somme (Beaumont-Hamel) in France and the preparation for Canadian participation in the 90th anniversary of the Battle of Vimy Ridge in April 2007 occurred in fiscal 2006–2007. The Vimy Ridge commemoration involved 400 CF personnel at four major events: the Freedom of the City Parade in Arras, a sunset ceremony at Vimy, the burial of the remains of a Canadian soldier found and identified at nearby Avions, and the dedication of the restored Canadian National Vimy Monument by the Queen in front of 35,000 people.
- **The Canadian Military History Gateway:** The Directorate of History and Heritage promoted the Canadian Military History Gateway, a web portal giving access to the on-line collections of several federal repositories of military historical material, at major teachers' conferences in Vancouver, Calgary and Ottawa, and at schools in the National Capital Region.
- **Strategic Plan for CF Museums:** A draft strategic plan was presented to the CF Museum Committee in March 2007; it has already been greatly amended and is

scheduled for presentation to the CF History & Heritage Board for its approval in September 2007.

- **Publication of Official Histories:** *A Blue Water Navy: The Official Operational History of the Royal Canadian Navy in the Second World War, 1939–1945*, also known as *The Official Operational History of the Royal Canadian Navy, Volume 2, Part 2,* was published by Vanwell in English in 2006 and in French in March 2007. Work continues on eight other official histories.
- **Official Lineages:** The official lineages of the Royal Canadian Artillery, the Canadian Military Engineers and the armoured regiments of the Canadian Forces were distributed in the fall of 2006. A first draft of the official lineages of Canada's infantry regiments has been completed and electronic publication of the lineages of CF formations, branches, schools, establishments and other units are in progress.
- **History of Aboriginal Peoples and the armed forces of Canada:** A first draft of a manuscript *History of Aboriginal Peoples in the Canadian Military* has been written.
- **Miscellaneous:**
  - 100 new entries have been made to the National Inventory of Canadian Military Memorials.
  - A new Battle Honours policy has been submitted for approval.
  - Thousands of historical enquiries from the Canadian public and other government departments have been answered.

The Public Affairs Group is also involved with issues that affect Canadians' understanding of their history, heritage and identity. During the reporting period, Defence launched a $16.1 million recruiting campaign with advertisements in national, regional and local media across Canada, helping the CF achieve 102 percent of its recruitment target with more than 6,500 enrolments. Known as the "Fight" campaign for its genuine operational imagery and the messages: Fight Fear, Fight Distress, Fight Chaos, Fight with the Canadian Forces, this campaign was co-ordinated for the Canadian Forces Recruiting Group by the Advertising Group in Public Affairs.

The Public Affairs Group also brought the Canadian Forces to major regional and national events across Canada, including the 2006 Grey Cup game in Winnipeg, the Calgary Stampede, the Canadian National Exhibition in Toronto, the Carnaval de Québec, and the Nova Scotia International Tattoo in Halifax.

Defence Public Affairs reached thousands of Canadians through 300 external communications and public relations events including stakeholder visits, roundtable sessions, speeches by CF members, visibility activities at major sports events, and outreach activities with ethnic communities. It continued to give Canadians the opportunity to send messages to and interact with deployed CF personnel through the "Write to the Troops" message board on the DND/CF Internet site, where more than 25,310 new messages appeared during fiscal 2006–2007.

Public Affairs also co-ordinated many outreach activities for senior leaders, including the Minister of National Defence, the Chief of the Defence Staff and Assistant Deputy

Ministers, and continued to run the Canadian Forces Parliamentary Program that gave several Members of Parliament the opportunity to observe and interact directly with CF personnel. These visits boost the morale of CF members, promote understanding of the challenges faced on operations, and increase CF visibility. Several communications products issued during the reporting period explained and spread understanding of how Defence contributes to the security of Canadians and supports peace and stability abroad.

Public Affairs worked closely with other departments, notably DFAIT and CIDA, on major international initiatives and operations, especially Canada's contribution to international efforts in Afghanistan and the Darfur region of Sudan. Together, Defence, DFAIT, CIDA and a few other federal government departments and agencies are responsible for the "whole of government" communications approach to Canadian operations in Afghanistan. Departmental representatives met regularly throughout the year as members of the Afghanistan Working Group on Communications.

As well, Public Affairs frequently worked with the communications branches of other government departments on issues related to justice, the environment, transportation, industry, veterans, the Arctic, and aboriginal peoples.

The Media Embed Program managed by the Public Affairs staff at CEFCOM Headquarters placed some 200 journalists with Joint Task Force Afghanistan. On average, the program had 11 reporters embedded at any given time throughout the reporting period, allowing journalists and their media organizations direct access to CF personnel and to observe operations. Their presence permitted timelier, more nuanced reports and announcements on combat operations, security, support to reconstruction efforts, and other significant incidents.

Imagery and video have enormous value for promoting Defence to Canadians, particularly for connecting with a public accustomed to real-time news reports and live feeds from the story location. The Canadian Forces Combat Camera teams regularly collect and distribute broadcast-quality, real-time imagery that is used frequently by Canadian and international news agencies. In fact, the Combat Camera website received more than 50 million hits last year from people searching its database of 5,000 images.

Public Affairs also focused on activities to raise the profile of the CF and their contribution to continental and international peace and security. For example, the Public Affairs section of the Canadian Defence Liaison Staff in Washington, D.C., launched the website CanadianAlly.com to present and promote the CF to an American audience. CDLS Washington outreach activities also included 12 Congressional meetings, Congressional events that reached more than 700 people, activities engaging think-tanks, participation in defence industry conferences and expos, and a Partners in Defence reception at the Canadian Embassy that attracted 600 guests.

These activities demonstrated Canada's role as a key ally to the US and marked its participation in the international campaign against terrorism.

Contribute to Youth and Education

Youth Programs

Communities of all sizes across Canada, from the great cities of the south to isolated Aboriginal communities, benefit from the 1,154 cadet units and 111 Junior Canadian Ranger patrols that provide some 58,700 cadets and 3,300 Junior Canadian Rangers with opportunities for fun, adventure and learning.

Canadian Cadet Program

The objectives of the Canadian Cadet Program are to develop the attributes of good citizenship and leadership in young men and women, promote their physical fitness and stimulate their interest in CF operations at sea, on land and in the air. It is a federally sponsored national training program for youth between the ages of 12 and 18, conducted by Defence in partnership with the Navy League, the Army Cadet League and the Air Cadet League. The leagues recruit cadets and organize accommodation and sponsors for each cadet unit. The CF provides personnel from the Regular Force, and the Reserves, most of them members of the CIC. The CF also provides uniforms, some infrastructure, and other support services such as airlift.

Many young Canadians benefited from Cadet training within the community at the Corps or Squadron level. This training was conducted from September to June under the supervision of the Atlantic, Eastern, Central, Prairies, Pacific and Northern Regional Cadet Support Units. Many cadets were selected in summer 2006 to attend one of the 24 Cadet Summer Training Centres across the country either as trainees, or as Staff Cadets in leadership roles. Participation and training data are provided in the following table:

Training	Details	Cadets	Training Days
Local Training	**1,156 Units**	**58,201**	**1,679,206**
Summer Training	**24 Training Centres**	**21,587**	**490,828**

Source: Vice Chief of the Defence Staff Group

National Activities

Distinct national activities were held for each cadet element as well as other national activities for the benefit of cadets from all three elements, notably:

- 337 Sea Cadets participated in the International Exchange Program, competed in the National Regatta held in Kingston, sailed in the US Coast Guard tall ship *Eagle* off the eastern coast of the US, sailed in a tall ship off the BC coast, and took part in the Annual Seamanship Concentration at HMCS *Quadra*.
- 199 Army Cadets participated in the International Army Cadet Exchange program and in domestic and international expeditions.

- 164 Air Cadets participated in the International Air Cadet Exchange program, in the Oshkosh Trip to Wisconsin, and competition for the Air Cadet Glider Program Soaring Award.
- 320 cadets participated in tri-element activities such as the Cadet National Marksmanship Championship and the National Biathlon Championship.

For additional information on the Canadian Cadet Program visit: http://www.cadets.forces.gc.ca/

Junior Canadian Rangers

The Junior Canadian Rangers (JCR) Program is designed to provide a structured program for youth between the ages of 12 to 18 through activities that develop traditional, life and Ranger skills. The program counts 3,300 Junior Canadian Rangers spread out in 111 patrols. JCR Patrols are located in remote and isolated communities of Canada that have Canadian Rangers patrols. The JCR Program is conducted in collaboration with local committees of adult community members, often supported directly by the band, hamlet or municipal council. The community provides a location for training, screens potential volunteers and instructors, and schedules training activities, and the program receives uniforms, training, and financial and administrative support from the CF. Regular Force and Primary Reserve personnel help deliver the program and evaluate JCR training during regular visits and field exercises. The JCR Program also gives members of the Canadian Rangers opportunities to serve as leaders, facilitators, supervisors and program developers. During fiscal 2006–2007, DND continued to engage local, regional, provincial or territorial and federal agencies and organizations, and other government departments in the JCR Program. For additional information on the Junior Canadian Rangers visit: http://www.rangers.forces.gc.ca/intro_e.asp

Contribute to the International Community, in Accordance with Canadian Interests and Values

Defence continued to support Government of Canada efforts to contribute to a more secure international environment by supporting organizations such as the UN and NATO through operational, personnel and financial contributions. In addition to maintaining a battle group, a Provincial Reconstruction Team and a mentorship team in Afghanistan as part of ISAF, Defence also provided military and civilian personnel who made a major contribution to the development of government structures in Afghanistan through the Strategic Advisory Team, helped train members of the African Union's peacekeeping mission in Sudan, and supported the development of civil-military relations in developing countries through the Military Training Assistance Program.

Defence also participated with equivalent organizations in other like-minded nations in the development of new capabilities to support deployed operations. In particular, the Canadian Operational Support Command supported the Prague Capability Initiatives for Sealift and Airlift.

Meeting Commitments to International Organizations and Exchange Programs

Enhancing Industrial and Defence Relationships

Scientific and Technological Co-operation

DRDC is involved in many international defence science and technology working groups and collaborative research forums. International collaboration facilitates the exchange of knowledge and heightens Canada's profile on the world stage as a leader in scientific and technical innovation. The key international forums in which DRDC participates include the following:

- The Technical Co-operation Program (TTCP): An international research forum made up of Canada, the US, Britain, Australia and New Zealand, TTCP involves more than 850 scientists leading projects involving, at any given time, some 3,000 to 5,000 international scientific personnel. DRDC contributes to more than 70 TTCP initiatives.
- NATO Research and Technology Organization (RTO): The RTO facilitates collaborative research among and between NATO members.

Legal Co-operation

Defence participated in several international legal working groups through the Office of the Judge Advocate General (JAG).

- **The Proliferation Security Initiative (PSI):** Legal officers attended Operational Experts Group meetings in Singapore and Montreal. The JAG Director of Strategic Legal Analysis co-chaired the Legal break-out group at the Operational Experts Group meeting in Montreal and reported some of its findings in plenary. The work accomplished during those events contributed to the aims of PSI to deter and halt the proliferation of weapons of mass destruction, their delivery systems, and related materials.
- **The NORAD Contingency Plan (CONPLAN):** The Office of the JAG continued to provide legal support to the ongoing review of the Canada–US NORAD CONPLAN, the objective being to implement a revised operational agreement that reflects Canadian interests and values.
- **The International Computer Co-operation Working Group:** Given the growing importance of networked activities and the complexity of recent domestic legislation in the information technology field, the development of legal support for computer network defence activities has substantially enhanced interoperability and co-operation with important allies.

Multilateral Organizations

Throughout fiscal 2006–2007, the Canadian Forces continued to contribute to international peace and security abroad. Specifically, our people have:

- Worked to protect the security and safety of Canadians at home, which is ultimately linked to conflict abroad;
- Continued to work with their US counterparts, both in North America and overseas; and
- Contributed to global security through the UN, NATO and other alliance arrangements.

North American Treaty Organization

The work of DND and the CF enabled Canada to play an active role in NATO. Operationally, our personnel made critical contributions to NATO's operations in Afghanistan. Canada also commanded NATO's Standing Maritime Group 1 for one year, beginning in January 2006. In addition, Canada participated — through NATO and in support of the European Union — in the ongoing stabilization mission in Bosnia.

Through Defence, Canada also continued to staff 336 key military positions at NATO Headquarters in Belgium and contribute $161 million to common-funded programs: NATO Airborne Early Warning program, Strategic Investment Program and NATO Military Budget.

Canada also continued to offer the allies valuable training opportunities, including:

- Courses for emergency first-responders in handling nuclear, chemical, biological and radiological weapons at DRDC Suffield;
- Use of the Counter-Terrorism Technology Centre at DRDC Suffield as part of our contribution to the NATO Response Force; and
- The NATO Flying Training Program in Canada (NFTC), a world-class international program that supports a key alliance goal of air force interoperability.

Additional information on NATO programs can be found in Section III – Table 10b and by visiting http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp.

United Nations

The Canadian Forces continued to contribute personnel on the ground and at headquarters to UN-endorsed missions, including operations in Haiti, Sudan, the Democratic Republic of Congo and the Middle East. Notably, the Canadian Forces have provided sustained, critical support to the UN-endorsed African Union (AU) mission in the Darfur region of Sudan by providing specialist officers to various AU headquarters.

Other Arrangements

The CF continued to support several operations led by coalitions of like-minded countries to enhance international peace and security. These included the deployment of a ship to the Persian Gulf as part of the international campaign against terrorism, and the provision of personnel to the Multinational Force and Observers in the Sinai, the US Security Coordinator developing security institutions in Gaza, and the International Military Assistance Training Team in Sierra Leone.

Advisory and Training Support to Other Nations

Military Training and Assistance Program

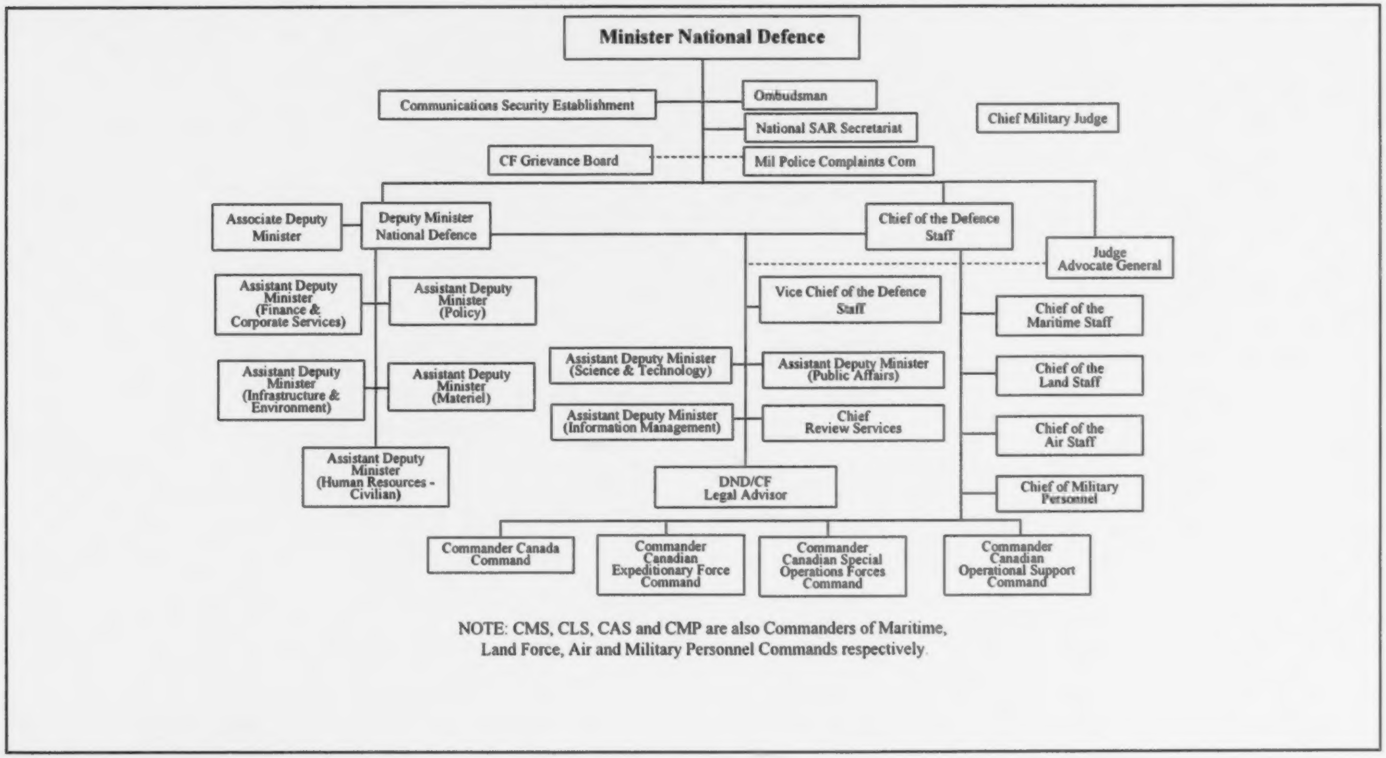
The Military Training Assistance Program (MTAP) is an instrument of Canada's foreign and defence diplomacy. It contributes directly to the Defence mission by promoting Canadian interests and values abroad, and by contributing to international peace and security. During the reporting period, MTAP provided education and training to the defence and security establishments of developing, non-NATO countries through the following undertakings:

- Language training to facilitate communication and interoperability among international forces;
- Professional development, which encompasses command, staff and technical training, to improve the professionalism of foreign armed forces; and
- Peace-support training to improve military and civilian participants' capacity to undertake multilateral and peace-support operations.

Last year, MTAP offered training to more than 1,000 military personnel from 63 countries.

Section III: Financial and Human Resources Reporting

Organization Chart


Minister National Defence
Communications Security Establishment
Ombudsman
National SAR Secretariat
Chief Military Judge
CF Grievance Board
Mil Police Complaints Com
Associate Deputy Minister
Deputy Minister National Defence
Chief of the Defence Staff
Judge Advocate General
Assistant Deputy Minister (Finance & Corporate Services)
Assistant Deputy Minister (Policy)
Vice Chief of the Defence Staff
Chief of the Maritime Staff
Assistant Deputy Minister (Infrastructure & Environment)
Assistant Deputy Minister (Materiel)
Assistant Deputy Minister (Science & Technology)
Assistant Deputy Minister (Public Affairs)
Chief of the Land Staff
Assistant Deputy Minister (Information Management)
Chief Review Services
Chief of the Air Staff
Assistant Deputy Minister (Human Resources - Civilian)
DND/CF Legal Advisor
Chief of Military Personnel
Commander Canada Command
Commander Canadian Expeditionary Force Command
Commander Canadian Special Operations Forces Command
Commander Canadian Operational Support Command

NOTE: CMS, CLS, CAS and CMP are also Commanders of Maritime, Land Force, Air and Military Personnel Commands respectively.

Source: Vice-Chief of the Defence Staff Group

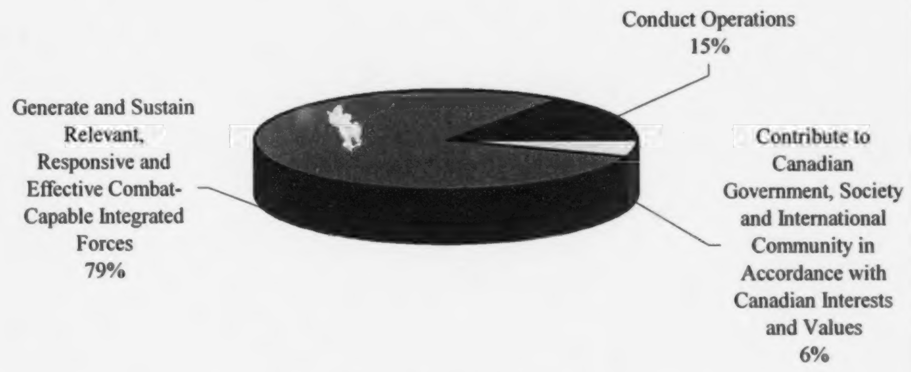
Departmental Links to Government of Canada Outcomes Areas

($ Thousands)	2006-2007								
	Budgetary							Plus: Non-Budgetary	
Program Activity	Operating	Capital	Grants	Contributions	Total Budgetary Expenditures	Less : Respendable Revenue	Total: Net Budgetary Expenditures	Loans, Investments and Advances	Total
Strategic Outcome: Canadians' confidence that DND and the CF have relevant and credible capacity to meet defence and security commitments.									
GENERATE AND SUSTAIN RELEVANT, RESPONSIVE AND EFFECTIVE COMBAT-CAPABLE INTEGRATED FORCES									
Main Estimates	10,164,571	2,097,282	148	20,381	12,282,382	154,125	12,128,257	0	12,128,257
Planned Spending	10,403,926	2,290,763	148	20,381	12,715,216	154,125	12,561,091	(2,274)	12,558,817
Total Authorities	10,483,470	2,261,026	142	15,568	12,760,206	193,239	12,566,967	86,262	12,653,229
Actual Spending	10,494,235	2,139,798	130	11,110	12,645,273	193,239	12,452,034	624	12,452,658
Strategic Outcome: Success in assigned missions in contributing to domestic and international peace, security and stability.									
CONDUCT OPERATIONS									
Main Estimates	1,586,045	145,265	-	-	1,731,310	3,230	1,728,080	0	1,728,080
Planned Spending	1,796,157	181,778	-	-	1,977,935	3,230	1,974,706	(390)	1,974,316
Total Authorities	2,200,650	223,408	-	-	2,424,058	28,079	2,395,979	13,873	2,409,852
Actual Spending	2,171,223	212,260	-	-	2,383,483	28,079	2,355,403	101	2,355,504
Strategic Outcome: Good governance, Canadian identity and influence in a global community.									
CONTRIBUTE TO CANADIAN GOVERNMENT, SOCIETY AND INTERNATIONAL COMMUNITY IN ACCORDANCE WITH CANADIAN INTERESTS AND VALUES									
Main Estimates	936,761	25,285	5,335	176,852	1,144,233	211,348	932,885	0	932,885
Planned Spending	930,111	27,069	5,335	176,852	1,139,367	211,348	928,019	(330)	927,689
Total Authorities	958,793	29,354	5,335	179,308	1,172,790	213,297	959,493	4,172	963,665
Actual Spending	873,440	30,572	5,171	179,308	1,088,491	213,297	875,194	85	875,279
Total									
Main Estimates	12,687,377	2,267,832	5,483	197,233	15,157,925	368,703	14,789,222	0	14,789,222
Planned Spending	13,130,194	2,499,609	5,483	197,233	15,832,519	368,703	15,463,816	(2,994)	15,460,822
Total Authorities	13,642,913	2,513,788	5,477	194,877	16,357,055	434,616	15,922,439	104,307	16,026,746
Actual Spending	13,538,898	2,382,630	5,301	190,418	16,117,247	434,616	15,682,631	810	15,683,441
*Due to rounding, figures may not add up to totals shown.									
Note: Formerly Table 2 - Resources by Program Activity									

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Resource Overview for FY 2006–2007

Actual Spending for 2006–2007 by PAA



Total: $15.7 Billion

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 1a: Comparison of Planned to Actual Spending (Including Full-Time Equivalents)

			2006–2007			
($ Thousands)	**Actual [1] 2004–2005**	**Actual [1& 2] 2005–2006**	**Main Estimates**	**Planned Spending**	**Total Authorities**	**Actual Spending [1]**
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces	11,695,522	12,295,273	12,128,257	12,561,091	12,566,967	12,452,034
Conduct Operations	1,514,977	1,598,598	1,728,080	1,974,706	2,395,979	2,355,403
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values	712,019	788,472	932,885	928,019	959,493	875,194
Total	**$13,922,518**	**$14,682,343**	**$14,789,222**	**$15,463,816**	**$15,922,439**	**$15,682,631**
Less: Non-Respendable Revenue [3]	70,091	153,770	N/A	875	875	119,810
Plus: Cost of Services Received Without Charge	537,012	569,074	N/A	544,349	611,350	611,350
Total Departmental Spending [4]	**$14,389,439**	**$15,097,647**	**$14,789,222**	**$16,007,291**	**$16,532,914**	**$16,174,171**
Full-Time Equivalents	**83,778**	**85,028**	**N/A**	**87,630**	**N/A**	**88,198**

* Due to rounding, figures may not add up to totals shown.

Notes:

1. Includes the Spending cf proceeds from the disposal of surplus Crown assets.

2. The PAA allocation of the 2005–2006 Actual is different than the PAA allocation of the 2005–2006 Actual reported in the 2005–2006 DPR table 3b due to an improved methodology used for the allocation by PAA. The same methodology was applied to allocate the 2004–2005 Actual under the PAA.

3. The Non-Respendable Revenue Actual was re-stated to include: Other Return on Investments, Refunds of Previous Years' Expenditures, Adjustments of Previous Years' Accounts Payable, Proceeds from the Disposal of Surplus Crown Assets and Gifts to the Crown.

4. The Departmental Spending (Actual) for fiscal years 2004–2005, 2005–2006 and 2006–2007 are different then previously amounts disclosed due to the re-statement of the Actual of the Non-Respendable Revenue.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 1b: Comparison of Planned to Actual Spending (Cash Appropriation and Accrual Basis)

PLANNED CAPITAL PROJECT EXPENDITURES **$ Thousands**	**Forecast[1] Spending 2006-2007**	**Total Authorities 2006-2007**	**Actual Spending 2006-2007**
Budget 2005 Announcement			
Strategic Capital Investments :			
Medium to Heavy Lift Helicopters	8,489	8,489	3,219
Medium Support Vehicle System	11,986	11,986	3,014
Airlift Capability Project - Tactical	5,272	5,272	2,549
Total	**25,747**	**25,747**	**8,782**
Budget 2006 Announcement			
Strategic Capital Investments :			
Airlift Capability Project - Strategic	132,336	132,336	147,975
Howitzers M-777	24,569	24,569	20,559
Total	**156,905**	**156,905**	**168,534**
Grand Total	**182,652**	**182,652**	**177,315**

PLANNED ACCRUAL EXPENSES **$ Thousands**	**Forecast Expenses 2006-2007**	**Authority 2006-2007**	**Actual Expenses 2006-2007**
Budget 2005 Announcement			
Strategic Capital Investments :			
Medium to Heavy Lift Helicopters	0	0	0
Medium Support Vehicle System	0	0	0
Airlift Capability Project - Tactical	0	0	0
Total	**0**	**0**	**0**
Budget 2006 Announcement			
Strategic Capital Investments :			
Airlift Capability Project - Strategic	0		0
Howitzers M-777	340	340	3,327
Total	**340**	**340**	**3,327**
Grand Total	**340**	**340**	**3,327**

Notes:

1. Based on the Report on Plans and Priorities 2007-2008.
2. The investment table reflects the planned cash expenditures and accrual expenses for the projects that have received Cabinet or Treasury Board approval.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 2: Voted and Statutory Items

($ Thousands)		2006-2007			
		Main Estimates	Planned Spending	Total Authorities	Actual
1	Operating Expenditures	11,155,813	11,582,030	12,014,954	11,925,235
5	Capital Expenditures	2,267,832	2,499,610	2,513,788	2,381,824
10	Grants and Contributions	191,721	191,721	191,985	187,350
11	Pursuant to section 24.1 of the *Financial Administration Act*, to forgive a debt due by Mr. R.P. Thompson to Her Majesty in Right of Canada amounting to $1,766.11 - To authorize the transfer of $1,766 from National Defence Vote 1, *Appropriation Act No. 1, 2006-2007*, for the purposes of this Vote.	0	0	2	2
12	Pursuant to section 24.1 (1) *(b)* of the *Financial Administration Act*, to forgive a debt due by Parc Downsview Park Inc. to Her Majesty in Right of Canada amounting to $15,059,000	0	0	0	0
(S)	Minister of National Defence - Salary and motor car allowance	73	73	73	73
(S)	Payments under the *Supplementary Retirement Benefits Act*	9,000	9,000	6,796	6,796
(S)	Payments under Part I-IV of the *Defence Services Pension Continuations Act*	1,900	1,900	1,493	1,493
(S)	Payments to dependants of certain members of the Royal Canadian Air Force killed while serving as instructors under the British Commonwealth Air Training Plan (Appropriation Act No. 4, 1968)	95	95	80	80
(S)	Contributions to employee benefit plans-Members of the Military	903,931	915,028	905,145	905,145
(S)	Contributions to employee benefit plans	258,857	264,359	254,004	254,004
(S)	Spending of proceeds from the disposal of surplus Crown assets	0	0	34,080	20,591
(S)	Collection Agency Fees	0	0	39	39
	Total Department	**$14,789,222**	**$15,463,816**	**$15,922,439**	**$15,682,631**

* Due to rounding, figures may not add up to totals shown.

Notes:

1. This table explains the way Parliament votes resources to National Defence in a standardized fashion. It also reflects the changes made throughout the fiscal year to the funding levels via Supplementary Estimates, allotments from the Treasury Board and reallocations resulting from changing priorities and operational pressures.

2. Spending authority was increased through Supplementary Estimates and allotments from Treasury Board by $1,133.2 million for the following: $418.1 million to implement the "*Canada First*" defence plan, $202.6 million to cover the incremental costs of the Canadian Forces' mission in Afghanistan, $177.1 million to cover the costs of the military pay and allowances increase, $158.1 million to cover the additional costs associated with the capital investment projects announced in Budget 2005 and Budget 2006, $155.6 million as a result of the Department's operating budget carry forward from 2005-06 to 2006-07, and $21.7 million to cover other miscellaneous items.

3. Vote 11 and 12 were one time Votes created pursuant to section 24.1 of the Financial Administration Act, both to allow forgiveness of a debt.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 3: Services Received Without Charge

($ Thousands)	2006-2007
Accommodations provided by Public Works and Government Services Canada	70,862
Contributions covering employers' share of employees' insurance premiums and expenditures paid by the Treasury Board of Canada Secretariat (excluding revolving funds); employer's contribution to employees insured benefits plans and associated expenditures paid by the Treasury Board of Canada Secretariat	524,962
Workers' Compensation paid without charge by Human Resources and Skills Development Canada	11,657
Salary and associated expenditures of legal services provided by the Department of Justice Canada	3,869
Total 2006-2007 Services Received Without Charge	**$611,350**

Note: *Due to rounding, figures may not add to totals shown.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 4: Loans, Investments and Advances (Non-budgetary)

($Thousands)	Actual 2004-2005	Actual 2005-2006[1]	2006-2007 Main Estimates	 Planned Spending	 Total Authorities	 Actual
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces						
Imprest Accounts, Standing Advances and Authorized Loans[2]	(5,042)	3,086	0	(2,274)	74,509	624
Canadian Forces Housing Projects[3]	(225)	(40)	0	0	11,753	0
Conduct Operations						
Imprest Accounts, Standing Advances and Authorized Loans[2]	(811)	496	0	(390)	11,983	101
Canadian Forces Housing Projects[3]	(36)	(6)	0	0	1,890	0
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values						
Imprest Accounts, Standing Advances and Authorized Loans[2]	(244)	149	0	(336)	3,604	30
Canadian Forces Housing Projects[3]	(11)	(2)	0	0	568	0
NATO Damage Claims[4]	(14)	29	0	6	0	55
Total	**($6,383)**	**$3,712**	**$0**	**($2,994)**	**$104,307**	**$810**

Notes:

1. The PAA allocation of Actual 2005-2006 figures for Imprest Accounts, Standing Advances and Authorized Loans, and Canadian Forces Housing Projects differ from those published in the RPP 2006-2007 due to changes in the allocation ratios used for the 2006-2007 Public Accounts following review of PAA allocations.

2. This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and (d) authorized recoverable advances to establish military messes and canteens. The total amount authorized to be outstanding at any time is $120,000,000 as last amended by National Defence Vote L11b, Appropriation Act No. 4, 2001-2002. Due to the nature of this account is very difficult to forecast the flow of activities that occur during a fiscal year period. Debits that occur in one fiscal year may have their offsetting credits occur in the following fiscal year. The recent historical trend for this account is to have a net debit year followed by a net credit year. More debits occurred in the account than credits in 2006-2007, causing the Actual amount for the year to diverge from the planned amount.

3. Advances were made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces. The final loan instalment was paid May 1, 2005.

4. Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force involved. This account is charged with the amount recoverable from other states, for claims for damages amount recoverable from other states, for claims for damages that took place in Canada, and is credited with recoveries. A change in billing cycle for claims occurred in 2006-2007. Before the change, debits in the account were typically partially offset by credits during the same fiscal year. Due to the change, debits that occurred during 2006-2007 were not partially offset by credits (credits will occur in fiscal year 2007-2008), leading to a higher than planned debit amount for this account.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 5: Sources of Respendable and Non-Respendable Revenue

($ Thousands)	Actual 2004-2005	Actual [2] 2005-2006	2006–2007			
			Main Estimates	Planned Revenues	Total Authorities	Actual [1]
Respendable Revenue						
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces						
Recoveries from Members	123,534	122,441	119,842	119,842	124,849	124,849
Recoveries from OGDs	6,180	6,071	3,979	3,979	5,432	5,432
Recoveries from Other Governments/UN/NATO	18,557	19,642	828	828	16,993	16,993
Other Recoveries	9,299	43,570	29,476	29,476	45,965	45,965
Subtotal	**$157,569**	**$191,725**	**$154,125**	**$154,125**	**$193,239**	**$193,239**
Conduct Operations						
Recoveries from Members	3,434	3,403	353	353	3,470	3,470
Recoveries from OGDs	793	780	39	39	697	697
Recoveries from Other Governments/UN/NATO	22,084	23,376	2,732	2,732	20,224	20,224
Other Recoveries	746	3,496	105	105	3,688	3,688
Subtotal	**$27,057**	**$31,055**	**$3,230**	**$3,230**	**$28,079**	**$28,079**
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values						
Recoveries from Members	822	815	615	615	831	831
Recoveries from OGDs	11,568	11,365	12,524	12,524	10,168	10,168
Recoveries from Other Governments/UN/NATO	214,087	226,613	195,454	195,454	196,052	196,052
Other Recoveries	1,264	5,921	2,755	2,755	6,247	6,247
Subtotal	**$227,741**	**$244,714**	**$211,348**	**$211,348**	**$213,298**	**$213,298**
Total Respendable Revenue	**$412,367**	**$467,494**	**$368,703**	**$368,703**	**$434,616**	**$434,616**
Non-Respendable Revenue [3]						
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces						
Return on investments	476	18,568	N/A	-	-	9,030
Refunds of previous years' expenditures	32,045	86,870	N/A	-	-	64,535
Proceeds from disposal of surplus Crown assets	18,922	15,898	N/A	-	-	19,200
Other Revenue	8,594	10,174	N/A	-	-	9,674
Subtotal	**$60,036**	**$131,510**	-	-	-	**$102,439**
Conduct Operations						
Return on investments	4	144	N/A	-	-	70
Refunds of previous years' expenditures	5,143	13,941	N/A	-	-	10,357
Proceeds from disposal of surplus Crown assets	980	823	N/A	-	-	994
Other Revenue	1,347	1,595	N/A	-	-	1,516
Subtotal	**$7,474**	**$16,503**	-	-	-	**$ 12,937**

Table 5: Sources of Respendable and Non-Respendable Revenue

Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interest and Values						
Return on investments	16	617	N/A	-	-	300
Refunds of previous years' expenditures	1,437	3,896	N/A	-	-	2,894
Proceeds from disposal of surplus Crown assets	272	229	N/A	-	-	276
Other Revenue	856	1,014	N/A	875	875	964
Subtotal	**$2,581**	**$5,756**	-	**$875**	**$875**	**$4,435**
Total Non-Respendable Revenue	**$70,091**	**$153,769**	-	**$875**	**$875**	**$119,811**
Total Revenue	**$482,458**	**$621,263**	**$368,703**	**$369,578**	**$435,491**	**$554,427**

* Due to rounding, figures may not add up to totals shown.

Notes:

1. Respendable Revenues are $65.9 million higher than initial Planned Revenues due to the following: an increase in Revenue of $34.7 million associated with increased recoveries from foreign militaries for training, fuel, facilities operating costs, communications and North Warning System cost sharing arrangements, increased revenue of $7.3 million from the sale of the fuel as a result higher than forecast price increases for this commodity, increase of $6.9 million for Revenues from facilities and rentals, and Other Revenue increase of $17.0 from number of diverse financial recovery areas.

2. The Respendable Revenue allocation by PAA and categories is different than the 2005–2006 Actual reported in Table 7 Sources of Respendable and Non-Respendable Revenue in the 2006–2007 RPP due to an improved methodology used for the allocation by PAA.

3. The Non-Respendable Revenue totals of all fiscal years have been re-stated to include the following types of Non-Respendable Revenue: Other Return on Investments, Refunds of Previous Years Expenditures, Adjustments of Previous Years Accounts Payable, Proceeds from the disposal of surplus Crown assets and Gifts to the Crown.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 6a: User Fees Act												
User Fee	**Fee Type**	**Fee Setting Authority**	**Date Last Modified**	**2006–2007**								
				Forecast Revenue ($000)	**Actual Revenue ($000)**	**Full Cost ($000)**	**Performance Standard**	**Performance Results**	**Fiscal Year**	**Forecast Revenue ($000)**	**Estimated Full Cost ($000)**
Fees charged for the processing of access requests filed under the *Access to Information Act* (ATIA)	Other products and services (O)	*Access to Information Act*	2007[2]	12.0[4]	9.2	2,614.0	Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request. The *Access to Information Act* provides fuller details.	The most common performance measurement is the percentage of "on-time" responses as stipulated by the performance standard. For this reporting period those are 92.9% for the *Access to Information Act* and 63.7% for the *Privacy Act*.	2006-2007 2007-2008 2008-2009	10.0 12.0 12.0	5,000.0[3] 5,000.0 5,000.0
Landing fees charged for civilian aircraft using DND facilities	Other products and services (O)	Fees collected according to the annual DND Cost Factors Manual Table 7-3 (aircraft landing fees)[1]	01 Oct 2006	1,204.9	1,204.9	Not available	When requested, landing service at a DND aerodrome will be provided for civilian aircraft when such use is in the public interest, consistent with departmental policy, and does not result in an unacceptable degradation of DND capacity to conduct normal operations. Such provision of landing service shall not compete with available private sector services.	Landing service provided when request meets the applicable criteria. No occasions on which provision of landing service to civilian aircraft resulted in degradation to DND operations. No complaints received as to competition with available private sector services.	2006-2007 2007-2008 2008-2009	Not available	Not available
Total				**$1,216.9**	**$1,214.1**	N/a				N/a	N/a
B. Date Last Modified: N/A											

C. Other Information:
Notes:

1. Cost Manual rates are based on "commercial rates".
2. Date of 2007 for "Date Last Modified" reflects coming into force dates arising from the Federal Accountability Act.
3. The large decrease in "Full Cost" reflects the costs as reported in the annual statistical report to Treasury Board, which now includes only O&M and SWE of DAIP. The previous practice included costs incurred by DND outside of DAIP.
4. There was an increase of ATIA requests received in fiscal 2006–2007 of more than 60% over fiscal 2005–2006. Access to information requests for Canadian Forces activities in Afghanistan is one of the main contributors to this increase.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 6b: Policy on Service Standards for External Fees – DND FY 2006–2007

External Fee	Service Standard	Performance Result	Stakeholder Consultation
Fees charged for the processing of access requests filed under the *Access to Information Act* (ATIA)	Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request. The *Access to Information Act* provides fuller details.	The most common performance measurement is the percentage of "on-time" responses as stipulated by the performance standard. For this reporting period those are 92.9% for the *Access to Information* Act and 63.7% for the *Privacy Act.*	The *Access to Information Act* and the *Access to Information Regulations establishes the service standard.* The Department of Justice and the Treasury Board Secretariat undertook consultations with stakeholders, for amendments done in 1986 and 1992.
Landing fees charged for civilian aircraft using DND facilities. Fees collected are in accordance with the annual DND Cost Factors Manual Table 7-3 (aircraft landing fees).	On request, DND will provide landing service at a DND aerodrome for civilian aircraft when such service is in the public interest and consistent with departmental policy. This service shall not result in an unacceptable degradation of capacity to conduct normal operations nor compete with services readily available from the private sector.	Landing service provided in response to all requests meeting specified criteria. No instances of degradation of DND operational capacity as a result of such service provision. No complaints of competition with services available from the private sector received.	Agreements with commercial aircraft companies are reviewed on a regular basis. Landing fees collected are in accordance with the DND Cost Factors Manual table applicable to aircraft type/weight and service provided. Complaints as to competition with private sector service providers are investigated and responded to as they arise.

B. Other Information: N/A

Note:
The Department of National Defence is charging landing fees to civilian aircraft at the following locations: Goose Bay, Bagotville, Greenwood, Trenton, Moose Jaw, Cold Lake and Comox.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 7a: Summary of Capital Spending by Program Activity

($ Thousands)	Actual Spending 2004–2005	Actual Spending 2005–2006	2006–2007		
			Planned Spending	Total Authorities	Actual Spending
Defence Services Program					
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces	2,018,826	2,070,255	2,290,763	2,261,026	2,139,798
Conduct Operations	200,260	143,159	181,778	223,408	212,260
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values	28,844	23,987	27,069	29,354	30,572
Total	**$2,247,930**	**$2,237,401**	**$2,499,609**	**$2,513,788**	**$2,382,630**

Notes:

1. Total Capital Spending for 2006–2007 of $2,382,630 thousand does not agree with the Total Capital Spending reported on Table 2 Voted and Statutory Items in the amount of $2,381,824 thousands as the amount on this table includes $806 thousands of Spending of proceeds from the disposal of surplus of Crown assets.

2. The difference between Planned Spending and Actual 2006–2007 is explained by project slippage due to capacity and timing of contract award.

3. Due to rounding, figures may not add up to totals shown.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

The projects listed in Table 7b below have been identified as either: (1) projects in which the estimated expenditure exceeds the approval authority granted to DND by the Treasury Board ($30 million with substantive cost estimates), or (2) projects in which the risk is particularly high, regardless of the estimated amounts. The list of projects has been divided according to the PAA structure.

Table 7b: Details on Project spending (Capital) over $30 Million

PROJECT NUMBER	PROGRAM ACTIVITY – GENERATE AND SUSTAIN INTEGRATED FORCES	PHASE	TOTAL ESTIMATED COST	CURRENT ESTIMATED TOTAL COST	PREVIOUS EXPENDITURES TO END 2005–2006	PLANNED SPENDING 2006–2007	ACTUAL SPENDING 2006–2007	VARIANCE
	MARITIME EFFECTS							
1495	Canadian Patrol Frigate	Close out	8,931,400	8,924,733	8,923,691	2,800	1,042	1,758
1700	Tribal Class Update and Modernization Program	Close out	1,381,800	1,381,509	1,381,300	500	114	386
2549	Canadian Submarine Capability Life Extension	Implementation	896,772	867,668	701,700	68,000	52,019	15,981
2573	Maritime Environmental Protection Project	Implementation	54,266	55,108	44,394	2,726	2,216	510
2586	Halifax Class Modernization/Frigate Life Extension	Definition	26,354	22,952	4,257	10,200	5,015	5,185
2640	Evolved Sea Sparrow Missiles	Implementation	503,209	504,093	430,654	61,822	55,789	6,033
2664	Advanced Electro-optic Sensor	Implementation	241,274	240,837	18,624	36,040	33,627	2,413
2673	Joint Support Ship	Definition	49,300	46,000	6,128	12,991	9,756	3,235
2680	Maritime Helicopters	Implementation	3,160,349	3,006,525	427,838	385,000	281,229	103,771
2796	YAG 300 Training Vessel Replacement	Implementation	70,310	92,362	27,450	23,741	22,487	1,254
	TOTAL MARITIME EFFECTS		**$15,315,034**	**$15,141,787**	**$11,966,036**	**$603,820**	**$463,294**	**$140,526**

Table 7b: Details on Project spending (Capital) over $30 Million

Project Number	Program Activity – Generate and Sustain Integrated Forces	Phase	Total Estimated Cost	Current Estimated Total Cost	Previous Expenditures to End 2005–2006	Planned Spending 2006–2007	Actual Spending 2006–2007	Variance
	LAND EFFECTS							
58	Wheeled Light Armoured Vehicle Life Extension	Implementation	160,521	160,454	67,315	45,034	7,165	37,869
84	Army GPS Equipment Replacement	Implementation	50,210	43,909	12,119	22,105	14,258	7,847
276	Intelligence, Surveillance, Target Acquisition & Reconnaissance	Definition	134,715	314,900	74,400	37,900	36,363	1,537
731	Mobile Gun System (MGS)	Definition	157,713	16,889	12,505	35,100	3,847	31,253
1070	Armoured Patrol Vehicle	Implementation	83,361	123,684	27,361	43,452	65,664	(22,212)
1436	Low Level Air Defence Modernization	Implementation	1,090,678	1,106,231	1,069,831	16,777	3,521	13,256
2058	Weapons Effect Simulator	Implementation	126,022	176,957	176,957	45,795	21,483	24,312
2346	Medium Support Vehicle System	Definition	25,798	23,819	0	11,986	3,076	8,910
2349	Light Utility Vehicle Wheeled	Implementation	297,400	288,277	241,999	53,800	41,200	12,600
2536	Role Three Health Support	Implementation	40,007	42,453	39,592	445	587	(142)
2637	Armoured Personnel Carriers	Implementation	2,321,350	2,349,903	2,003,980	129,800	54,884	74,916
2652	Multi Mission Effects Vehicle	Definition	93,990	33,553	710	26,890	1,909	24,981
2684	Improved Landmine Detection System	Close out	33,749	33,663	31,160	2,589	642	1,947
2731	Armoured Personnel Carriers Life Extension	Implementation	345,460	357,319	309,507	35,953	12,018	23,935
	TOTAL LAND EFFECTS		**$4,960,974**	**$5,072,011**	**$4,067,436**	**$507,626**	**$266,617**	**$241,009**

Table 7b: Details on Project spending (Capital) over $30 Million

PROJECT NUMBER	PROGRAM ACTIVITY – GENERATE AND SUSTAIN INTEGRATED FORCES	PHASE	TOTAL ESTIMATED COST	CURRENT ESTIMATED TOTAL COST	PREVIOUS EXPENDITURES TO END 2005–2006	PLANNED SPENDING 2006–2007	ACTUAL SPENDING 2006–2007	VARIANCE
	AIR EFFECTS							
86	Operational Flight Program	Implementation	111,521	111,168	30,234	16,424	10,474	5,950
113	Advanced Distributed Combat Training System	Implementation	187,742	187,852	136,175	24,160	10,252	13,908
180	CF-18 Multi-purpose Display Group Project	Implementation	98,750	98,760	61,617	91	0	91
273	CF-18 Advanced Multi-role Infrared Sensor	Implementation	186,059	186,342	243	44,650	591	44,059
295	Aurora Communication Management System Replacement	Implementation	89,745	89,745	54,586	13,183	8,908	4,275
317	Aurora Electro-optical System Replacement	Implementation	50,207	49,162	44,141	4,124	2,026	2,098
410	Aurora - Flight Deck Simulator	Implementation	40,566	40,862	30,090	8,477	7,051	1,426
423	Aurora - Electronic Support Measures Replacements	Implementation	177,208	194,457	90,483	28,555	21,404	7,151
428	Aurora - Imaging Radar Acquisition	Implementation	255,120	280,018	107,764	28,867	24,513	4,354
451	Primrose Lake Evaluation Range TSPI System	Implementation	42,333	42,615	13,676	14,010	9,667	4,343
536	Aurora – Operator Mission Simulator	Implementation	44,633	44,633	5,921	1,292	99	1,193
583	CF18 - Engineering Change Proposal 583	Implementation	987,309	986,226	798,534	31,657	31,025	632
609	Fixed Wing Search and Rescue Project	Definition	8,200	8,200	5,957	2,300	1,400	900
1036	Airlift Capability Project (Tactical)	Definition	11,834	5,176	0	5,272	2,557	2,715
1117	Airlift Capability Project (Strategic)	Implementation	1,807,355	1,608,502	0	132,336	147,975	(15,639)
1007	Medium to Heavy Lift Helicopters	Definition	8,489	8,489	0	8,489	3,221	5,268

Table 7b: Details on Project spending (Capital) over $30 Million

PROJECT NUMBER	PROGRAM ACTIVITY – GENERATE AND SUSTAIN INTEGRATED FORCES	PHASE	TOTAL ESTIMATED COST	CURRENT ESTIMATED TOTAL COST	PREVIOUS EXPENDITURES TO END 2005–2006	PLANNED SPENDING 2006–2007	ACTUAL SPENDING 2006–2007	VARIANCE
1686	CF18 - Advanced Air to Air Weapon - Short Range	Implementation	36,200	36,764	20,784	88	79	9
2320	Military Automated Air Traffic System	Implementation	168,600	164,391	145,704	8,433	4,450	3,983
2371	Advanced Navigation and Precision Approach	Implementation	97,737	98,097	58,328	18,809	10,747	8,062
2517	Canadian Forces Utility Tactical Transport Helicopters	Implementation	1,093,152	1,087,498	1,070,543	11,523	1,934	9,589
2526	Region/Sector Air Operation Centre	Implementation	134,478	138,034	122,062	7,374	2,736	4,638
2619	Air Combat Manoeuvering Instrumentation System	Implementation	33,237	33,289	30,867	1,296	46	1,250
2657	CC150 Strategic Air-to-Air Refuelling (SAAR)	Implementation	132,112	127,917	92,890	39,110	18,600	20,510
2678	Canadian Search and Rescue Helicopter	Close out	774,422	778,476	760,464	13,886	2,774	11,112
2754	CF-18 Advanced Medium Range Air-to-Air Missile	Implementation	138,489	133,820	66,632	6,854	2,424	4,430
5832	CF18 - Engineering Change Proposal - Phase 2	Implementation	423,281	423,296	52,610	83,444	79,949	3,495
	TOTAL AIR EFFECTS		**$7,138,779**	**$6,963,789**	**$3,800,304**	**$554,704**	**$404,902**	**$149,802**
	JOINT UNIFIED AND SPECIAL OPERATIONS							
224	Defence Information Broker	Implementation	37,430	38,711	7,975	29,455	10,032	19,423
283	National Military Support Capability	Implementation	567,889	5,425	3,143	3,362	462	2,900

Table 7b: Details on Project spending (Capital) over $30 Million

PROJECT NUMBER	PROGRAM ACTIVITY – GENERATE AND SUSTAIN INTEGRATED FORCES	PHASE	TOTAL ESTIMATED COST	CURRENT ESTIMATED TOTAL COST	PREVIOUS EXPENDITURES TO END 2005–2006	PLANNED SPENDING 2006–2007	ACTUAL SPENDING 2006–2007	VARIANCE
402	Canadian Forces Joint Experimentation	Implementation	31,591	52,447	4,953	500	853	(353)
439	Allied Vaccine Development Project	Implementation	31,684	20,962	18,401	0	2,561	(2,561)
625	Polar Epsilon Joint Space-Based Wide Area Surveillance and Support	Implementation	49,252	35,475	1,579	12,036	1,949	10,087
2272	Materiel Acquisition and Support Information System	Implementation	182,300	180,077	176,800	5,500	2,964	2,536
2400	Defence Integrated Human Resource System	Implementation	94,565	86,766	70,612	10,500	7,941	2,559
2469	Canadian Forces Command System I (CFCS)	Close out	65,947	66,028	57,911	0	6,010	(6,010)
2475	Defence Message Handling System	Implementation	135,239	123,366	122,393	820	804	16
2783	Identification Friend or Foe Mode S/5	Implementation	38,176	43,676	391	740	309	431
2800	Canadian Forces Health Information System	Implementation	51,606	92,082	15,145	14,276	14,222	54
2803	Protected Military Satellite Communication	Implementation	551,972	538,813	307,400	55,700	3,369	52,331
XXXX[1]	Clothe The Soldier Omnibus Project	Implementation	246,254	254,356	166,149	61,828	24,200	37,628
	TOTAL JOINT UNIFIED AND SPECIAL OPERATIONS		**$2,083,905**	**$1,538,184**	**$952,852**	**$194,717**	**$75,676**	**$119,041**
	TOTAL PROGRAM ACTIVITIES		**$29,498,692**	**$28,715,771**	**$20,786,628**	**$1,860,867**	**$1,210,489**	**$650,378**

Note:

1. XXXX represents an Omnibus project comprising ten (10) sub-projects.

Source: Assistant Deputy Minister (Materiel) Group

Projects listed in Table 8 below have been identified as either: (1) projects in which the estimated expenditures exceeds the approval authority granted to DND by the Treasury Board ($60 million), or (2) projects in which the risk is particularly high regardless of the estimated amounts. All major capital construction projects fall under the Generate and Sustain Program Activity. For fiscal 2006–2007, actual spending on major capital construction projects represented **16.25** percent of the total capital spending in the department. Spending on major construction projects (i.e. projects over $60M) represented **12.1** percent of the overall capital construction spending of $387M.

Table 8: Capital Construction Program – Spending over $60M

Project #	Project Name	Total Project Amount	Past Years Expenditures *	Planned Spending 2006–2007	Actual Spending 2006–2007	Planned Future 5-year Spending
	Alberta					
0886	Upgrade Roads/Utilities (Cold Lake) (PPA-PD)	60,820 (I)	0	2,296	2	60,818 (I)
	British Columbia					
0221	Replace "A and B" Jetty (OA)	199,760(I)	480	0	5	199,275(I)
4360	FMF Cape Breton (EPA - PI)	136,300(S)	92,940	13,330	16,289	27,072(S)
4451	Colwood Refueling Facility (EPA-PI)	69,930 (S)	64,630	5,300	2,121	3,179 (S)
	New Brunswick					
0344	RTA Sedimentation Remediation (Gagetown) (PPA-PD)	72,680(S)	0	3,270	4,012	68,668 (I)
0453	Utilities Upgrade Gagetown (PPA-PD)	80,680 (I)	4,220	13,565	5,690	70,770 (I)
	Newfoundland					
0640	Pleasantville Consolidation (PPA-PD)	88,454(I)	0	1,515	1,520	87,972(I)
	Ontario					
0411	RMC Kingston Dormitories (EPA-PI)	63,870 (S)	20,330	19,490	17,696	25,844 (I)
0402	Joint Experimentation Centre Ottawa (EPA-PI)	63,920 (S)	3,230	2,233	2,330	60,228 (S)
	Total	**$830,755**	**$179,935**	**$61,999**	**$46,994**	**$603,826**

Legend: I = Indicative Estimate S = Substantive Estimate PPA = Preliminary Project Approval
EPA = Effective Project Approval PD = Project Definition PI = Project Implementation
* Past years expenditures are as of March 31, 2007. All figures are exclusive of GST/HST.

Source: Assistant Deputy Minister (Infrastructure and Environment) Group

For additional information visit the web site on the Federal Real Property and Federal Immovables Act.

Table 9: Status Report on Major Crown Projects

Supplementary information on the major Crown projects listed below can be found at http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp

1. HALIFAX Class Modernization/Frigate Life Extension (HCM/FELEX)
2. Submarine Capability Life Extension
3. Canadian Patrol Frigate (CPF)
4. Tribal Class Update & Modernization Project (TRUMP)
5. Joint Support Ship (JSS)
6. Maritime Helicopter Project (MHP)
7. Armoured Personnel Carriers (APC)
8. Mobile Gun System (MGS)
9. Multi Mission Effects Vehicle (MMEV)
10. Light Utility Vehicle Wheeled (LUVW)
11. Intelligence Surveillance, Target Acquisition and Reconnaissance (ISTAR)
12. Medium Support Vehicle System Project (MSVS)
13. Canadian Forces Utility Tactical Transport Helicopter (CFUTTH) Project
14. Canadian Search and Rescue Helicopter Project
15. Military Automated Air Traffic System (MAATS) Project
16. Airlift Capability Project – Strategic (ACP-S)
17. Airlift Capability Project – Tactical (ACP-T)
18. Fixed Wing Search And Rescue (FWSAR)
19. Medium-To Heavy-Lift Helicopter (MHLH)
20. Protected Military Satellite Communications (PMSC)
21. Material Acquisition And Support Information System (MASIS)

Source: Assistant Deputy Minister (Materiel) Group

Table 10a: Summary on Transfer Payments Programs by PAA

			2006–2007			
($ Thousands)	Actual Spending 2004–2005	Actual Spending 2005–2006	Main Estimates	Planned Spending	Total Authorities	Actual Spending
GRANTS						
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces	123	152	148	148	142	130
Conduct Operations	-	-	-	-	-	-
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values	4,289	4,815	5,335	5,335	5,335	5,171
Total Grants	**$4,412**	**$4,967**	**$5,483**	**$5,483**	**$5,477**	**$5,301**
CONTRIBUTIONS [1]						
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces	13,524	11,505	20,381	20,381	15,568	11,110
Conduct Operations	-	-	-	-	-	-
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values	134,410	180,985	176,852	176,852	179,308	179,308
Total Contributions	**$147,933**	**$192,490**	**$197,233**	**$197,233**	**$194,877**	**$190,418**
Total Transfer Payments	**$152,346**	**$197,457**	**$202,716**	**$202,716**	**$200,354**	**$195,719**

* Due to rounding, figures may not add up to totals shown.

Note:

1. Furthering a review of the allocations, PAA allocation for the Contribution Program in support of the Search and Rescue New Initiatives Fund was changed from "Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces" into "Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values". This change has been reflected throughout all Actual figures and Total Authorities.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Table 10b: Details on Transfer Payment Programs over $5 Million

Description ($ Thousands)	Type	Actual Spending 2004–2005	Actual Spending 2005–2006	Planned Spending 2006–2007	Total Authorities 2006–2007	Actual Spending 2006–2007	Variance(s) Between Planned and Actual Spending 2006–2007
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces							
Payments under the Supplementary Retirement Benefits Act	STATUTORIES	8,091	7,392	9,000	6,796	6,796	2,204
Contributions in support of the Capital Assistance Program	CONTRIBUTIONS	1,209	-	5,450	4,749	355	5,095
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interest and Values							
Contribution program for the promotion of the defence diplomacy objectives implemented by the Military Training Assistance Programme	CONTRIBUTIONS	2,182	9,305	10,000	10,017	10,017	(17)
NATO Airborne Early Warning and Control Program (formerly called NATO Airborne Early Warning Mid Term Modernization Program)	CONTRIBUTIONS	40,339	68,893	62,388	68,366	68,366	(5,978)
NATO Military Budget	CONTRIBUTIONS	37,839	47,296	44,698	56,789	56,789	(12,091)
NATO Security Investment Program	CONTRIBUTIONS	44,564	43,166	52,110	35,773	35,773	16,337
Subtotal Transfer Payments over $5 million		$134,225	$176,052	$183,646	$182,489	$178,096	$5,550
Total Transfer Payments		**$152,345**	**$197,458**	**$202,716**	**$200,354**	**$195,719**	**$6,997**
Percentage of Transfer Payments over $5 million		**88.1%**	**89.2%**	**90.6%**	**91.1%**	**91.0%**	

Table 10b: Details on Transfer Payment Programs over $5 Million

Total Spending per PAA [1]	Actual Spending 2004–2005	Actual Spending 2005–2006 [1]	Planned Spending 2006–2007 [1]	Total Authorities 2006–2007	Actual Spending 2006–2007	
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces	13,647	11,658	20,529	15,710	11,240	
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interest and Values	138,699	185,800	182,188	184,643	184,479	
Total	**$152,345**	**$197,458**	**$202,716**	**$200,354**	**$195,719**	

Note:

1. Figures for Actual Spending 2005–2006 and Planned Spending 2006–2007 published in Report on Plans and Priorities 2006–2007 have been restated in the DPR 2006–2007 due to reallocation of "Contribution Program in support of the Search and Rescue New Initiatives Fund". The restatement of $3,463K in Actual Spending 2005–2006 and $1,500K in Planned Spending 2006–2007 is from "Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces" to "Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values".

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Supplementary information on the transfer payment programs, listed in Table 10b above, can be found at: http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp

Source: Vice-Chief of the Defence Staff

Table 11: Alternative Service Delivery

Supplementary information on the following Alternative Service Delivery programs and/or services can be found at: http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp

- Contracted Airborne Training Services (CATS)
- Wheeled Light Armoured Vehicle (WLAV) Life Cycle Support Project
- Canadian Forces Station Alert Modernization Project
- 202 Workshop Depot
- DND/Montfort Hospital Collaborative Arrangement
- Information Management Services Transformation Project

Source: Vice-Chief of the Defence Staff Group

Table 12: Cost of International Operations

($ Thousands)	Planned Spending 2006–2007		Actual Spending 2006–2007			
OPERATIONS	Full DND Cost[1]	Incremental DND Cost[2]	Full DND Cost[1]	Incremental DND Cost[2]	Est UN Revenue to CRF[3]	Est UN/MFO Revenue to DND[3]
AFRICA						
OP SCULPTURE - IMATT (Sierra Leone)	1,600	500	1,833	457	0	0
OP CROCODILE - MONUC (DRC)	1,200	400	1,643	289	0	0
OP SAFARI - UNAMIS (Khartoum, Sudan)	2,600	1,000	5,201	1,126	(100)	0
OP AUGURAL - AMIS (Addis Ababa, Ethiopia)[4]	18,600	17,400	3,583	1,965	0	0
Sub-Total	**$24,000**	**$19,300**	**$12,260**	**$3,837**	**$(100)**	**$0**
Persian (ARABIAN) GULF AND SOUTHWEST ASIA						
OP ALTAIR - (South-west Asia)	25,500	11,400	24,439	10,939	0	0
OP ARGUS - (Afghanistan)	0	0	3,469	1,330	0	0
OP ATHENA - (Kabul, Afghanistan) (NATO)[5]	1,017,000	426,700	1,277,283	535,635	0	0
OP ARCHER - (Kandahar, Afghanistan) (OEF)[5]	399,500	167,300	638,643	267,818	0	0
OP IOLAUS - UNAMI (Iraq)	200	100	234	73	0	0
Sub-Total	**$1,442,200**	**$605,500**	**$1,944,068**	**$815,795**	**$0**	**$0**
CENTRAL AMERICA AND THE CARIBBEAN						
OP FOUNDATION - (US CENTCOM) (Tampa)	1,000	500	1,692	626	0	0
OP HAMLET - MINUSTAH (Haiti)	100	0	767	134	0	(2,100)
Sub-Total	**$1,100**	**$500**	**$2,459**	**$760**	**$0**	**$(2,100)**
EUROPE						
OP BRONZE - (Bosnia) (NATO)	1,300	500	1,398	332	0	0
OP SEXTANT - (HMCS ATHABASKAN & HMCS IROQUOIS) (NATO)	33,800	16,000	26,917	12,742	0	0
Sub-Total	**$35,100**	**$16,500**	**$28,315**	**$13,074**	**$0**	**$0**
MIDDLE EAST						
OP CALUMET - MFO (Multinational Force & Observers) (Sinai) non-UN	3,400	500	3,946	712	0	0
OP JADE - UNTSO (Middle East)	900	100	1,445	307	0	0
OP PROTEUS - (Jerusalem)	2,800	200	937	503	0	0
OP SNOWGOOSE - UNFICYP (Cyprus)	200	100	186	60	0	0
OP GLADIUS - (Syria)	0	0	517	79	0	0
Sub-Total	**$7,300**	**$900**	**$7,031**	**$1,661**	**$0**	**$0**
COMMON COSTS						
OTHERS[6]	0	0	925	925	0	0
Sub-Total	**$0**	**$0**	**$925**	**$925**	**$0**	**$0**
CLOSED MISSIONS						
OP PLATEAU - (Pakistan)	0	0	796	796	0	0
OP HORUS - (Haiti)	0	0	617	476	0	0
OP BOREAS - (Bosnia) (EUFOR)	1,500	500	2,192	997	0	0
OP LION - (Lebanon)	0	0	4,930	3,480	0	0
OP DANACA - UNDOF (Golan Heights)	1,000	1,000	222	222	(3,200)	(500)
Sub-Total	**$2,500**	**$1,500**	**$8,757**	**$5,971**	**$(3,200)**	**$(500)**
Total	**$1,512,200**	**$644,200**	**$2,003,815**	**$842,023**	**$(3,300)**	**$(2,600)**

* Due to rounding, figures may not add up to totals shown.

Table 12: Cost of International Operations

Notes:

1. "Full DND Cost" is the cost to DND for the operation. It includes civilian and military wages, overtime pay and allowances; the full costs of petroleum products, spares, and contracted repair and overhaul; and depreciation and attrition of all equipment involved.
2. "Incremental DND Cost" is the cost to DND that exceeds the costs of personnel and equipment involved of they had not been deployed on the operation. It is derived from the "Full DND Cost" by subtracting the costs (e.g. wages, equipment depreciation and attrition) that would otherwise have been spent on normal activities and exercises.
3. Reimbursement for personnel costs accrues to the Consolidated Revenue Fund (CRF), and reimbursement for Operations and maintenance costs accrues to DND.
4. OP AUGURAL: The decrease of expenditure between the planned spending estimate and the actual spending is mainly due to the fact the maintenance contract cost for FY 06/07 has been covered by carry over funding from the previous fiscal year, and the cost associate for the donation of equipment was not incurred due to the extension of our mandate.
5. OP ATHENA and OP ARCHER (Afghanistan); the latter in support of Operation Enduring Freedom (OEF) to 31 July 2006: The variance between the planned spending and the actual spending is explained by better attribution between the two operations, an increase force protection cost, an increase mission pre-deployment training, and the write-off of equipment destroyed in theatre.
6. Common costs are expenses related to more than one mission and therefore cannot be captured separately under a specific operation.
7. For further information, please visit http://www.forces.gc.ca/site/operations/current_ops_e.asp

Sources: Canadian Expeditionary Force Command (CEFCOM) and Assistant Deputy Minister (Finance and Corporate Services) Groups

Table 13: Response to Parliamentary Committees, and Audits and Evaluations

RESPONSE TO PARLIAMENTARY COMMITTEES

On December 7, 2006, the Standing Committee on Public Accounts tabled its 11th Report based on Chapter Two of the May 2006 Report of the Auditor General of Canada (*National Defence - Military Recruiting and Retention*). The Department worked on the Government Response to the Committee report and the official response will be tabled in the new year. Meanwhile, Defence was asked to report in this DPR on the status of specific recommendations. These can be found in Section II under "Standing Committee on Public Accounts" on pages 34 to 37. As requested in Recommendation 1 of the report, Defence also tabled with the Committee detailed action plans for the implementation of the recommendations made in the SCOPA report before March 31, 2007 as requested.

RESPONSE TO THE AUDITOR GENERAL INCLUDING TO THE COMMISSIONER OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT (CESD)

Office of the Auditor General (OAG)

During the reporting period, the Auditor General tabled three Chapters in Parliament that included recommendations directed at the Department of National Defence and the Canadian Forces. Two Chapters tabled in May 2006 were Follow-Ups of chapters that were previously reported in Parliament: "Military Recruiting and Retention" and "NATO Flying

Table 13: Response to Parliamentary Committees, and Audits and Evaluations

Training in Canada". In November 2006, the Auditor General tabled a Chapter entitled "Relocating Members of the Canadian Forces, RCMP, and the Federal Public Service".

In the Chapter "Military Recruiting and Retention", the Auditor General reported that the Department has made satisfactory progress in responding to the audit recommendations that were previously reported in 2002. She also stated, however, that the recruiting system is not fully supporting the needs of the Canadian Forces. Further, she suggested that current recruiting and attrition problems could put the success of the CF's planned expansion at risk. The Department agreed with the five audit recommendations presented by the Auditor General in this Chapter.

In the Chapter "NATO Flying Training in Canada", the Auditor General also reported that the Department had made satisfactory progress in responding to the recommendations made in 2002 on NATO Flying Training in Canada. She acknowledges that the Department successfully negotiated a settlement with the contractor for training that was missed prior to December 2002. Subsequent to December 2002, however, she noted that the Department paid an additional $39 million for training that was not received. The Department accepted the two audit recommendations presented the Auditor General in this Chapter.

In the Chapter "Relocating Members of the Canadian Forces, RCMP, and the Federal Public Service", the Auditor General reported that the government-wide relocation contract that was awarded to Royal Lepage Relocation Services in November 2004 was not tendered in a fair and equitable manner. In addition, Public Works and Government Services Canada did not take steps to ensure that all bidders in the tendering process had access to correct and complete information. The Auditor General also reported that the Department had not established adequate controls over relocation expenditures. Three of the audit recommendations in this Chapter were directed solely at the Department of National Defence and an additional two were directed at National Defence, along with the Treasury Board Secretariat and/or the RCMP.

These three Chapters, including departmental responses to the audit recommendations contained in them, can be accessed on the Auditor General's website here: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/05menu_e.html

Commissioner Of The Environment And Sustainable Development

In September 2006, the Commissioner of the Environment and Sustainable Development tabled a Report in Parliament that contained two government-wide audit Chapters that made reference to the Department of National Defence. None of recommendations contained in these Chapters were directed at National Defence. These two Chapters were entitled: "Sustainable Development Strategies" and "Environmental Petitions". These two Chapters can be found on the Commissioner's website here: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/c2006menu_e.html

Table 13: Response to Parliamentary Committees, and Audits and Evaluations

EXTERNAL AUDITS

No external audits specifically related to the DND/CF were reported on during fiscal 2006–2007.

INTERNAL AUDITS AND EVALUAUTIONS

Internal Audits and Evaluations completed during fiscal 2006–2007:

- Security Clearance Process – Internal Audit
- System Engineer Support Contract – Internal Audit
- Wheeled Light Armoured Vehicle Life Cycle Support Contract – Internal Audit
- Contracting for Transportation – Internal Audit
- NDHQ Operations & Maintenance – Internal Audit
- Acquisition Card Use – Internal Audit
- Material Acquisition and Support Optimization Project – Internal Audit
- Civilian Performance Planning & Review Process – Internal Audit
- Management of Non-Classified Information Technology Hardware – Review
- Defence Research & Development Contracts – Risk Analysis
- CF Contractor Augmentation Program – Evaluation
- Functional Responsibilities in Support of CF Transformation – Evaluation
- Harassment Prevention and Resolution Policy and Program – Evaluation
- Perspectives on the Capital Equipment Acquisition Process – Evaluation
- CF Medical Support to Deployed Operations – Evaluation
- CF Outside Canada (OUTCAN) Exchange and Liaison Programs – Evaluation
- Pearson Peacekeeping Centre Funding Contribution – Evaluation
- Chemical, Biological, Radiological, Nuclear (CBRN) Research and Technology Initiative (CRTI) – Evaluation (Formative)

The audit and evaluation reports listed above include recommendations designed to improve the performance of the DND/CF, as well as the management response to them. Completed reports can be found at: http://www.forces.gc.ca/crs/rpt/reports_e.htm

Source: Assistant Deputy Minister (Policy) Group

The following table includes a number of commitments made by National Defence to green its operations. At the government-wide level, these departmental commitments are co-ordinated by the Office of Greening Government Operations (OGGO) at PWGSC, which includes work toward common governance, measurement, and reporting methods across departments.

Table 14: Sustainable Development Strategy (SDS)	
1. What are the key goals, objectives, and/or long-term targets of the SDS?	The key goals of Defence's SDS 2003 are to: • protect the health of ecosystems through the sustainable use of training areas; • protect human health and the environment through the responsible management of hazardous materials and addressing departmental contaminated sites; • protect the atmosphere through reduction in the Ozone Depleting Potential of in-service systems and equipment using halocarbons and reduce Green House Gas emissions; and integrate environmental considerations fully into Defence management processes, systems and activities through integration of sustainable buildings concepts into the design process, and promulgate a Defence Green Procurement policy.
2. How do your key goals, objectives, and/or long-term targets help achieve your department's strategic outcomes?	Defence SDS 2003 looks further out than the three-year cycle of the strategy itself. The target on sustainable military training areas for instance spans the period 2003 to 2010 and has been revised and integrated into the Defence SDS 2006 demonstrating the Department's continuing support of resource conservation, sound environmental stewardship and good governance. Defence is the government's largest employer and consumer of goods and services and is one of the largest landholders. As such, the Department acts in compliance with the Government of Canada's administrative and governance policies, legislation and regulations, and contributes to broader government priorities through responsible stewardship of the assets with which it has been entrusted. Furthermore, in addition to the traditional targets contained in the Defence strategy, SDS 2003 also contained five Commitments to Continual Improvement (untargeted commitments to report on government priorities, such as water consumption) and three legacy Targets (targets that were not met in SDS 2000, but on which we continue to report until they are fully achieved).
3. What were your targets for the reporting period?	Eleven targets and five Commitments to Continual Improvement are enunciated in Defence SDS 2003 supporting the key goals listed above. In addition, three "legacy" targets that were not fully achieved in the course of SDS 2000; namely, Environmental Management Systems, Integrated Pest Management Plans, and Hazardous Materials Management Plans are outlined.

4. What is your progress to date?	Of the 11 targets set out in SDS 2003, Defence has exceeded three targets, met three targets, and partially met a further three targets. Two targets were not met. The three targets exceeded are: B.1. (Eliminate or reduce 15 per cent of specified nationally procured High-Risk (HR) Hazardous Materials from use); B.4. (Reduce the Contaminated Sites Liability by 4 per cent per year); and, C.1. (Reduce the Ozone depleting potential of in-service systems and equipment using Halocarbons by 5 per cent); The two targets not met are: B.5. (Minimize the environmental liability associated with petroleum Fuel Storage infrastructure and distribution assets) and B.6. (Minimize the environmental liability associated with Aviation Fuel Storage Capacity); and, None of the three SDS 2000 Legacy targets pursued during SDS 2003 were met: SDS 2000 target A.3. (Develop and implement Integrated Pest Management (IPM) Plans at all Bases /Wings); SDS 2000 target B.1. (Develop and implement Hazardous Material Management Plans at all Bases/Wings/Organizations); and, SDS 2000 target D.1. (Implement Environmental Management Systems).
5. What adjustments have you made, if any? Discuss how lessons learned have influenced your adjustments.	With the third year of the three-year reporting cycle for SDS 2003 completed, the Department continues to refine the content of business planning and functional guidance tools to promote innovative activities, including sustainable building, and cost-saving and environmentally sound activities, such as energy performance contracting. National Defence is concerned with the slow progress to address certain targets, for instance the rationalization and upgrading of fuel storage tanks. Many of the lessons learned from these initiatives have been formalised within the new (SDS 2006) iteration of the Defence SDS. In fact, lessons learned during the process of SDS 2003 have led the Department to include all three of the targets that were not reached in fiscal 2006–2007 as commitments in SDS 2006 to further improve our understanding of and performance on these issues. The failure to "close the book" on the SDS 2000 Legacy Targets during this SDS cycle is a cause for increasing concern and will be addressed by continuing to focus on this unfinished business in the latest iteration of the Defence SDS.

Note:
DND maintains a consolidated record of all registered storage tanks in a national database. Due to data gaps in this consolidated record, it was not possible to determine compliance with the applicable Technical Guidelines for 521 aboveground tanks and 98 underground tanks.

Source: Assistant Deputy Minister (Infrastructure and Environment) Group

Table 15: Procurement and Contracting

Supplementary information on procurement and contracting can be found at : http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp.

Source: Assistant Deputy Minister (Materiel) Group

Table 16: Storage Tanks

Supplementary information on storage tanks can be found at : http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp.

Source: Assistant Deputy Minister (Infrastructure and Environment) Group

Planned Full-Time Equivalents

Table 17: Personnel Requirements – Military (Regular Force) by Program Activity

Program Activity	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Generate and Sustain Integrated Forces	N/A	N/A	56,890	56,484
Conduct Operations	N/A	N/A	5,600	6,300
Contribute to Canada and the International Community	N/A	N/A	971	995
Total	**61,715**	**61,923**	**63,461**	**63,779**

Notes:

1. Actual Military (Regular Force) FTEs for fiscal 2004–2005 was broken down according to the PRAS and reported through the five Capability Programs for Defence. Actual FTE count for fiscal 2005–2006 and 2006–2007 is based on the approved PAA and reported according to the three Program Activities for Defence. The breakdown by Capability Program for fiscal 2004–2005 can be found in the Departmental Performance Report (DPR) for the period ending March 31, 2005.
2. Actual Military (Regular Force) FTEs for fiscal year 2005–2006 reflect the Regular Force Expansion of 5,000 announced in Budget 2005 and includes Class C Reserves.
3. Planned Military (Regular Force) FTEs for fiscal 2005–2006 is higher than Actual 2005–2006 due to the reduction in Reservists serving on Class C contracts as a result of the operational pause that began early in 2005, even though CF recruiting was over target in fiscal 2005–2006.
4. Class C Reservists are not included in 2006–2007 planned and actual figures. For information on the Reserve Strength see Section II, page 41.

Source: Chief Military Personnel Group

Table 18: Personnel Requirements – Civilian by Program Activity

Program Activity	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Generate and Sustain Integrated Forces	20,019	20,951	20,370	22,309
Conduct Operations	622	688	2,355[3]	609
Contribute to Canada and the International Community	1,426	1,412	1,444	1,501
Total[2]	**22,067[1]**	**23,051**	**24,169**	**24,419**
Total (as reported in the RPP/DPR)	**22,063[1]**	**23,018**	**24,169**	**N/A**

Notes:

1. Differences in totals between this table and previous RPP/DPR input are due to missing cost centres and a move to the PAA structure. Some of the FTEs in the missing cost centres have been accounted for by estimating the FTEs in these areas and attributing them to Generate and Sustain Integrated Forces. These FTE numbers are derived from a representative financial formula, as there is not a consistent 1:1 relationship between FTEs and programs.
2. Includes Communication Security Establishment (CSE) FTEs.
3. The difference between 'Planned 2006–2007' and other columns for 'Generate and Sustain Integrated Forces' and 'Conduct Operations' is due to a reallocation of a portion of CSE.

Source: Assistant Deputy Minister (Human Resources-Civilian) Group

Table 19: Personnel Requirements – Combined Military (Regular Force) and Civilian by Program Activity

Program Activity	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Generate and Sustain Integrated Forces	N/A	N/A	N/A	78,793
Conduct Operations	N/A	N/A	N/A	6,909
Contribute to Canada and the International Community	N/A	N/A	2,415	2,496
Total	**83,778[1]**	**84,974**	**87,630**	**88,198**

Notes:

1. Differences in totals between this table and previous RPP/DPR input are due to missing cost centres and a move to the PAA structure.
2. Class C Reservists are not included in 2006–2007 planned and actual figures.

Source: Vice-Chief of the Defence Staff Group

Table 20: Summary of Military (Regular Force) FTEs by Rank

RANK STRUCTURE	2004–2005	2005–2006	2006–2007
General/Lieutenant-General; Admiral, Vice-Admiral	11	12	12
Major-General, Rear-Admiral	23	21	20
Brigadier-General, Commodore	38	44	48
Colonel, Captain(Navy)	325	330	323
Lieutenant-Colonel, Commander	1,090	1,115	1,133
Major, Lieutenant-Commander	3,192	2,247	3,280
Captain, Lieutenant (Navy)	5,840	5,882	5,827
Lieutenant, Second-Lieutenant, Sub-Lieutenant, Acting Sub-Lieutenant	1,952	2,068	2,312
Officer Cadet, Naval Cadet	1,749	1,720	1,902
Chief Warrant Officer, Chief Petty Officer 1st Class	668	674	629
Master Warrant Officer, Chief Petty Officer 2nd Class	1,803	1,861	1,907
Warrant Officer, Petty Officer 1st Class	3,682	3,726	2,702
Sergeant, Petty Officer 2nd Class	6,760	6,802	6,782
Master Corporal, Corporal, Master Seaman, Leading Seaman	24,632	24,681	25,155
Private, Private (Recruit), Able Seaman, Ordinary Seaman	9,950	9,742	10,747
TOTAL	**61,715**	**61,923**	**63,779**

Notes:

1. DPR fiscal 2005–2006 (annual monthly average); Actual strength for March 31, 2006 was 62,779.
2. ADM (IM) DHRIM Strength Report as of March 31, 2007 (actual strength).
3. 3. FTEs table fiscal 2006–2007 column does not include 1,430 primary reservists (annual monthly average) employed on Class C status.

Source: Assistant Deputy Minister (Information Management) Group

Table 21: Summary of Civilian FTEs by Occupational Group

Capability Program	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
OIC Appointments	4	3	3	4
Executive	102	104	109	109
Scientific and Professional	1,870	1,993	2092	2165
Administrative and Foreign Service	4,948	5,328	5592	5787
Technical	2,171	2,299	2413	2456
Administrative Support other than Clerical	630	601	630	574
Clerical and Regulatory	3,256	3,398	3568	3628
Operational other than General Labour and General Services	2,290	2,370	2489	2574
General Labour and Trades	3,032	3,106	3260	3109
General Services	2,188	2,214	2325	2293
Other (Students, Minister's Staff, Unknown)	148	139	143	149
Communications Security Establishment (CSE) staff - (executives and non-executives)	1,424	1,492	1567	1578
Total[1]	**22,063**	**23,047**	**24,191**	**24,426**

Note:

1. Differences in totals between this table and previous RPP/DPR input are due to missing cost centres and a move to the PAA structure.

Source: Assistant Deputy Minister (Human Resources-Civilian) Group

Table 22: Financial Statements for the Department of National Defence

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007 and all information contained in these statements rests with the management of National Defence. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provide a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, assets are safeguarded, transactions are in accordance with the *Financial Administration Act* and are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout National Defence.

The financial statements of the Department have not been audited. There is no current requirement for National Defence to have these statements audited.

Ward Elcock
Deputy Minister
Ottawa, Canada

RAdm Bryn Weadon, CMA
Senior Financial Officer

Date: July 27, 2007

Statement of Operations (Unaudited)

For the year ended March 31

(in thousands of dollars)	2007	2006*
Expenses (Note 4)		
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces	**12,552,623**	13,197,635
Conduct Operations	**2,313,180**	1,351,719
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values	**1,106,068**	1,042,235
	15,971,871	**15,591,589**
Revenues (Note 5)		
Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces	**208,187**	305,398
Conduct Operations	**24,784**	36,090
Contribute to Canadian Government, Society and International Community in Accordance with Canadian Interests and Values	**215,376**	154,680
	448,347	**496,168**
Net Cost Of Operations	**15,523,524**	**15,095,421**

* Comparative figures have been reclassified to conform to the current year's Program Activity Architecture structure. Refer to Note 2(c) of these financial statements.

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)	2007	2006
Assets		
Financial Assets		
Receivables (Note 6)	**168,000**	634,186
Loans and Advances (Note 7)	**30,752**	29,942
	198,752	**664,128**
Non-Financial Assets		
Prepaid Expenses (Note 8)	**863,604**	517,512
Inventories (Note 9)	**5,192,436**	4,955,682
Tangible Capital Assets (Note 10)	**26,137,296**	25,921,679
	32,193,336	31,394,873
	32,392,088	32,059,001
Liabilities		
Accounts Payable and Accrued Liabilities	**1,820,680**	1,732,901
Vacation Pay and Compensatory Leave	**221,449**	168,072
Deposits and Trust Accounts (Note 11)	**1,868**	2,215
Deferred Revenue (Note 12)	**67,597**	61,886
Canadian Forces Pension and Insurance Accounts (Note 13)	**43,700,028**	42,720,547
Lease Obligations for Tangible Capital Assets (Note 14)	**759,903**	832,612
Severance Benefits (Note 15)	**1,350,019**	1,271,768
Environmental Liabilities (Note 16)	**497,416**	442,977
	48,418,960	47,232,978
Equity of Canada	**(16,026,872)**	(15,173,977)
	32,392,088	32,059,001

Contingent Liabilities (Note 16)
Contingent Gain (Note 17)
Contractual Obligations (Note 18)

The accompanying notes form an integral part of these financial statements.

Statement of Equity of Canada (Unaudited)

For the year ended March 31

(in thousands of dollars)	2007	2006
Equity of Canada, beginning of year	(15,173,977)	(14,845,341)
Net Cost of Operations	(15,523,524)	(15,095,421)
Current Year Appropriations Used (Note 3)	15,682,630	14,682,343
Revenue Not Available for Spending	(97,949)	(132,002)
Change in Net Position in the Consolidated Revenue Fund (Note 3)	(1,525,402)	(352,630)
Services Provided Without Charge by Other Government Departments (Note 19)	611,350	569,074
Equity of Canada, end of year	(16,026,872)	(15,173,977)

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flow (Unaudited)

For the year ended March 31

(in thousands of dollars)	2007	2006
Operating Activities		
Net Cost of Operations	15,523,524	15,095,421
Non-Cash Items Included in Net Cost of Operations:		
Amortization of Tangible Capital Assets	(1,783,758)	(1,748,330)
Gain or Loss on Disposals / Adjustments of Tangible Capital Assets	(221,636)	(290,416)
Services Provided Without Charge by Other Government Departments	(611,350)	(569,074)
Variations in Statement of Financial Position		
Increase (decrease) in Receivables and Advances	(465,376)	404,471
Increase in Prepaid Expenses	346,092	36,657
Increase in Inventories	236,754	55,319
Increase in Liabilities, net of Capital Lease Obligations	(1,258,691)	(836,464)
Cash Used by Operating Activities	11,765,559	12,147,584
Capital Investment Activities		
Acquisitions of Tangible Capital Assets (excluding Leased Tangible Capital Assets) (Note 10)	2,235,599	1,983,092
Proceeds on Disposal of Surplus Assets	(20,471)	(17,895)
Payments against / Adjustments to Capital Lease Obligations	78,592	84,930
Cash Used by Capital Investment Activities	2,293,720	2,050,127
Financing Activities		
Net Cash Provided by Government of Canada	(14,059,279)	(14,197,711)

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Authorities and Objectives

Authorities

The Department of National Defence (DND) was established by the *National Defence Act* (NDA). Under section 3 of the Act, the Minister of National Defence presides over the Department. Under section 4 of the NDA, the Minister has the management and direction of the Canadian Forces (CF) and of all matters relating to National Defence.

Objectives

The Defence mission is to defend Canada and Canadian interests and values while contributing to international peace and security. Under Canadian defence policy, the CF is called upon to fill three major roles: protecting Canada, defending North America in co-operation with the United States, and contributing to international peace and security. The Defence mission is delivered through three Program Activities, which are as follows:

(a) Generate and Sustain Relevant, Responsive and Effective Combat-Capable Integrated Forces:

This program activity consists of all the activities necessary to design and develop force structure, create the capability components, generate the forces, and sustain and maintain the forces over time at the appropriate readiness levels. It is designed to generate and sustain forces capable of: Maritime Effects; Land Effects; Aerospace Effects; and Joint, National, Unified and Special Operations Forces. This activity is required to:

- Maintain operational units;
- Maintain deployable support;
- Recruit and train personnel;
- Provide nationally based fixed support including infrastructure, supply, fixed command, force development, and research and development; and
- Acquire Capital Equipment.

(b) Conduct operations:

This Program Activity represents the main use of the program output from generate and sustain forces, that is the employment of forces in operations, whether on a constant basis, selectively ongoing operations, or as required for named domestic or international operations. It consists of all the activities necessary to conduct: Constant Situational Awareness; Domestic and Continental Operations; and International Operations. This activity is required to:

- Maintain and conduct Intelligence, surveillance and reconnaissance (ISR) operations;
- Maintain ISR support;
- Employ forces to conduct contingency operations in response to domestic or continental requirements;
- Employ High–Readiness forces to conduct operations in response to domestic and continental requirements;

- Provide ongoing specified services in accordance with Government of Canada and other government department agreements and demand from other levels of government;
- Employ forces to conduct contingency operations in response to international requirements; and
- Employ High–Readiness forces to conduct operations in response to international requirements.

(c) Contribute to Canadian government, society and international community in accordance with Canadian interests and values:

This Program Activity consists of Defence advice to the Government of Canada, contributions to Canadian Government; and contributions to the International Community, all in accordance with Canadian interests and values. This activity is required to:

- Provide defence and security policy advice to the Government of Canada;
- Provide military advice to the Government of Canada;
- Provide support to Government of Canada programs;
- Contribute to Canadian economy and innovation;
- Contribute to Canadian identity;
- Contribute to youth and education;
- Meet commitments to international organizations and exchange programs; and
- Provide advisory and training support to other nations.

Note 2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

(a) Parliamentary Appropriations

The Department is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Department do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(b) Reporting Entity

The reporting entity hereafter referred to, as the Department, is comprised of DND, the CF and several related organizations and agencies in the Defence Portfolio, which carry out the Defence mission and are part of the Defence Services Program. The Canadian Forces Grievance Board and the Military Police Complaints Commission are excluded from the reporting entity because these organizations are not part of the Defence Services Program, although they fall under the responsibility of the Minister of National Defence.

Non-Public Property (NPP) as defined in section 2 of the NDA, and administered by the Canadian Forces Personnel Support Agency is also excluded from the reporting entity. NPP includes all money and property contributed to or by CF members for their collective benefit and welfare. NPP is not subject to the *Financial Administration Act*, and is administered outside the framework of public funds. NPP is not part of the Defence Services Program. For 2006-2007 NPP had estimated annual revenues of $330 million, estimated annual expenses of $295 million and as of March 31, 2007 had an estimated net equity (assets minus liabilities) of $540 million.

Organizations and agencies that are part of the reporting entity include the following:

- Canadian Cadet Program and the Junior Canadian Rangers;
- Communications Security Establishment;
- Canadian Forces Housing Agency;
- Defence Research and Development Canada;
- Office of the Communications Security Establishment Commissioner;
- Office of the Department of National Defence and Canadian Forces Ombudsman;
- Office of the Judge Advocate General; and
- National Search and Rescue Secretariat.

All revenue and expense transactions and any related asset and liability accounts between organizations within the Defence Services Program have been eliminated.

(c) Basis of Financial Reporting

In 2006-2007, National Defence implemented a new Program Activity Architecture (PAA), which is subject to refinement. The activities used for this new PAA are identified in Note 1 under objectives.

(d) Net Cash Provided by the Government of Canada

The department operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash receipts are deposited to the CRF and all cash disbursements made by the Department are paid from the CRF. Net cash provided by the Government is the difference between all cash receipts and cash disbursements including transactions between departments of the federal government.

(e) Change in Net Position in the Consolidated Revenue Fund

Change in net position in the CRF is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the department. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(f) Revenues

- Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues;
- Funds received from external parties for specified purposes are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related expenses are incurred; and
- Revenues that have been received but not yet earned are recorded as deferred revenues.

(g) Expenses

Expenses are recorded on an accrual basis:

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants, which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements;
- Contributions are recognized in the year in which the recipient has met the eligibility criteria and fulfilled the terms and conditions of the funding agreement;
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment; and
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, Worker's Compensation coverage and legal services are recorded as operating expenses at their estimated cost.

(h) Employee Future Benefits

(i) Pension Benefits
Eligible civilian employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. Contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the Department to make contributions for any actuarial deficiencies of the Plan.

The Government of Canada sponsors a variety of employee future benefits such as pension plans and disability benefits, which cover members of the Canadian Forces. National Defence administers the pension benefits for members of the Canadian Forces. The actuarial liability and related disclosures for these future benefits are presented in the financial statements of the Government of Canada. This differs from the accounting and disclosures of future benefits for military members presented in these financial statements whereby pension expense corresponds to the Department's annual contributions toward the cost of current service. In addition to its regular contributions, current legislation also requires the Department to make contributions for actuarial deficiencies in the Canadian Forces Pension Plan and in the Reserve Force Pension Plan, which came into force on March 1, 2007. These contributions are expensed in the year they are credited to the Plans. This accounting treatment corresponds to the funding provided to departments through Parliamentary appropriations.

(ii) Severance Benefits

Employees and military members are entitled to severance benefits, under labour contracts or conditions of employment. These benefits are accrued as employees and military members render the services necessary to earn them. The obligation relating to the benefits earned by civilian employees and Canadian Forces members is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(i) Receivables

Receivables are stated at amounts expected to be ultimately realized. An allowance for bad debts is made for external receivables where recovery is considered uncertain.

(j) Loans and Advances

Loans and advances are stated at amounts expected to be ultimately realized; a provision is made where recovery is considered uncertain.

(k) Inventories

Inventory consists of consumables (such as non-repairable spares, uniforms and clothing, medical and other equipment and machine tools) and ammunition (including bombs and missiles). Consumable inventories are valued using a moving weighted average price methodology. Some items classified as repairable ammunition (e.g. missiles and torpedoes) are valued using a standard price. Inventory managed by contractors and not held in the Canadian Forces Supply System is valued based on contractor-supplied records. DND reviews its inventory on a periodic basis. Items identified for disposal are excluded from the value of inventory.

(l) Tangible Capital Assets

All tangible capital assets, having an initial cost of $30,000 or more, including capital leases, betterments and leasehold improvements, are recorded at their acquisition cost. Capitalization threshold values lower than $30,000 may apply to certain assets such as vehicles and repairable spares.

Capital assets do not include intangible assets, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on First Nations Reserves and museum collections.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

The department is presently reviewing its process for recording and valuation of tangible capital assets. This work will be conducted over a number of years. In 2006-2007, DND identified and recorded $146 million in post-capitalization of tangible capital assets as current year transactions.

(m) Amortization of Tangible Capital Assets

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset Class	Amortization Period
Buildings	10-40 years
Works	5-40 years
Machinery and Equipment	3-30 years
Informatics Hardware	3-30 years
Informatics Software	2-12 years
Arms and Weapons	3-30 years
Other Equipment	5-30 years
Ships and Boats	10-30 years
Aircraft	20-40 years
Non-military Motor Vehicles	2-30 years
Military Vehicles	3-25 years
Other Vehicles	4-25 years
Leasehold Improvements	Lesser of useful life of the improvement or term of lease
Leased Tangible Capital Assets	Economic life or term of lease
Repairable spares are amortized in accordance with the sum of the accumulated amortization of the equipment platform that they support.	

(n) Contingent Liabilities – Claims and Litigations

Contingent liabilities are potential liabilities, which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. (refer to Note 16(a) of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(o) Environmental Liabilities

Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites and unexploded explosive ordnance (UXO) affected sites. Based on management's best estimates, a liability is accrued and an expense recorded associated with the site assessment activity, when a site becomes contaminated or affected or when the Department becomes aware that the site has become contaminated or affected and is obligated, or is likely to be obligated, to incur such costs. If the likelihood of the Department's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements. (refer to Note 16(b) of these financial statements)

(p) Foreign Currency Transactions

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the rate of exchange in effect on March 31, 2007. Gains resulting from foreign currency transactions are included as revenues in Interest and Gains on Foreign Exchange in Note 5 and losses from foreign currency transactions are included in Other Expenses in Note 4.

(q) Measurement Uncertainty

The preparation of these financial statements, in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimates. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Note 3. Parliamentary Appropriations

National Defence receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current and future years. Accordingly, the Department has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

3 (a) Reconciliation of Net Cost of Operations to Current Year Appropriations Used

(in thousands of dollars)	**2007**	2006
Net Cost of Operations	**15,523,524**	15,095,421
Adjustments for items affecting Net Cost of Operations but not affecting Appropriations		
Amortization of Tangible Capital Assets	**(1,783,758)**	(1,748,330)
Services Provided Without Charge by Other Government Departments	**(611,350)**	(569,074)
Severance Benefits	**(78,251)**	(133,591)
Refund of Previous Year's Expenses	**77,786**	104,707
Vacation Pay and Compensatory Leave	**(53,377)**	53,278
Gain or Loss on Disposals and Adjustments of Capital Assets	**(221,636)**	(290,416)
Return on Investments	**9,400**	19,330
Other Revenues	**7,966**	12,782
Justice Canada Fees	**(6,110)**	(5,314)
Environmental Liabilities and Other Allowances	**(55,833)**	8,384
Allowance of Bad Debts	**(8,532)**	(3,548)
Sale of Real Property through Canada Lands Company	**2,930**	0
Miscellaneous	**12**	5
	(2,720,753)	(2,551,787)
Adjustments for items not affecting Net Cost of Operations but affecting Appropriations		
Tangible Capital Assets Acquisitions (excluding capital leases)	**2,235,599**	1,983,092
Payments Against Capital Lease Obligations	**79,100**	85,410
Inventory Purchases Net of Usage and Adjustments	**236,754**	55,320
Net Variation Prepaid Expenses	**346,092**	36,657
Revenues Collected from Prior Year Receivables	**(17,686)**	(21,770)
	2,879,859	2,138,709
Current Year Appropriations Used	**15,682,630***	14,682,343

* Public Accounts reported actual spending for fiscal 2006–2007 of $15,682,631. The difference is due to rounding.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

3 (b) Appropriations Provided and Used

(in thousands of dollars)	2007	2006
	Appropriations Provided	
Operating expenditures – Vote 1	12,014,954	9,861,479
Capital Expenditures – Vote 5	2,513,788	2,247,930
Grants & Contributions – Vote 10	191,985	187,819
Forgiveness of Debt –Vote 11a	2	0
Governor General Special Warrants – Vote 1	0	1,246,468
Governor General Special Warrants – Vote 10	0	793
	14,720,729	13,544,489
Statutory Amounts:		
Contributions to Employee Benefit Plan - Members of the Military	905,145	892,953
Contributions to Employee Benefit Plan - Civilians	254,004	253,313
Spending of Proceeds from the Disposal of Surplus Crown Assets	20,591	7,999
Payments under the *Supplementary Retirement Benefits Act*	6,796	7,392
Payments under Parts I-IV of the *Defence Services Pension Continuation Act*	1,493	1,664
Pensions and Annuities Paid to Civilians	80	93
Minister's Salary and Motor Car Allowance	73	72
Collection Agency Fees	39	54
	1,188,221	1,163,540
Less: Lapsed Appropriations: Operating	(226,320)	(25,686)
Current Year Appropriations Used	15,682,630*	14,682,343

* Public Accounts reported actual spending for fiscal 2006–2007 of $15,682,631. The difference is due to rounding.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

3 (c) Reconciliation of Net Cash Provided by Government to Current Year Appropriations Used

(in thousands of dollars)	2007	2006**
Net Cash Provided by Government	**14,059,279**	14,197,711
Revenue Not Available for Spending	**97,949**	132,002
Change in Net Position in the Consolidated Revenue Fund		
Variations in Canadian Forces Pension and Insurance Accounts	**979,481**	989,977
Variations in Accounts Receivable, Loans and Advances	**465,376**	(404,471)
Variations in Accounts Payable and Accrued Liabilities	**87,779**	(214,162)
Other Adjustments	**(7,234)**	(18,714)
	1,525,402	352,630
Current Year Appropriations Used	**15,682,630***	14,682,343

* Public Accounts reported actual spending for fiscal 2006–2007 of $15,682,631. The difference is due to rounding.

** Comparative figures have been reclassified to conform to the current year's presentation.

Note 4. Expenses

The following table presents details of expenses by category:

(in thousands of dollars)	2007	2006
Operating		
Salary and Employee Benefits	**8,323,894**	7,718,642
Amortization	**1,783,758**	1,748,330
Professional and Special Services	**1,442,056**	1,657,319
Repair and Maintenance	**971,476**	953,861
Transportation and Communication	**746,402**	579,884
Materials and Supplies	**616,254**	735,432
Loss on Disposals and Write-offs and Write-downs of Tangible Capital Assets*	**467,310**	219,013
Other Services	**391,557**	269,313
Equipment and Other Rentals	**266,966**	156,645
Expenses Related to Tangible Assets**	**250,426**	936,181

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(in thousands of dollars)	2007	2006
Utilities	**150,864**	144,293
Accommodation	**137,255**	125,888
Interest on Capital Lease Payments	**45,911**	48,309
Advertising, Printing and Related Services	**35,353**	36,453
Bad Debts	**8,532**	3,548
Other Expenses	**138,199**	63,662
	15,776,213	15,396,773
Transfers		
Transfers to Other Countries and International Organizations	**174,876**	172,625
Transfers to Non-Profit Organizations	**10,293**	9,905
Transfers to Individuals	**8,386**	9,163
Transfers to Other Levels of Government	**2,103**	3,123
	195,658	194,816
	15,971,871	15,591,589

* The total loss for 2006-2007 included $270.90 million for repairable spares, $120.78 million for buildings, $36.93 million for armoured vehicles and $37.29 million for aircraft.

** The expenses related to tangible assets include those assets (machinery, equipment, buildings and works) that were not capitalized because they were lower than the capitalization threshold established by the Department (refer to Note 2(l) of these financial statements). The decrease in Expenses Related to Tangible Assets is mainly due to adjustments of $277 million to account for in-transit repairable spares identified during the fiscal year, $146 million in post-capitalization of tangible capital assets, $34 million in corrections required by the Office of the Auditor General from its 2005-2006 review, $88 million in adjustments to in-year prepaid expenses, and $6 million in other in-year adjustments.

Note 5. Revenues

The following table presents details of revenues by category:

(in thousands of dollars)	2007	2006
Sale of Goods and Services	**396,336**	430,759
Interest and Gains on Foreign Exchange	**12,591**	24,660
Gains on Disposals of Assets	**9,590**	12,999
Other	**29,830**	27,750
	448,347	496,168

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Note 6. Receivables

The following table presents details of accounts receivable:

(in thousands of dollars)	2007	2006
External Clients	**217,924**	242,817
Other Government Departments*	**72,689**	520,810
Gross Receivables	**290,613**	763,627
Less: Allowance for Doubtful Accounts on External Receivables	**122,613**	129,441
Net Receivables	**168,000**	634,186

* The decrease in the receivables from other government departments is mainly due to the recovery of $447 million in goods and services tax and harmonized sales tax from 2005-2006.

Note 7. Loans and Advances

(in thousands of dollars)	2007	2006
Imprest Accounts, Standing Advances and Authorized Loans to CF Members	**30,658**	29,904
Advances to NATO Personnel for Recoverable Damage Claims	**94**	38
	30,752	29,942

Note 8. Prepaid Expenses

The following is a breakdown of prepaid expenses recorded by National Defence as of March 31, 2007:

(in thousands of dollars)	2007	2006
Foreign Military Purchases	**406,085**	159,289
Sea Sparrow Missiles	**271,328**	189,401
Joint Strike Fighter Development	**78,237**	90,273
NATO Flying Training Canada (NFTC)	**11,885**	39,712
Military Salaries	**8,213**	5,254
Cooperative Logistics Arrangements	**7,664**	9,641
Other Purchases	**80,192**	23,942
	863,604	517,512

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Note 9. Inventories

(in thousands of dollars)	**2007**	2006
Ammunition, Bombs and Missiles*	**2,883,766**	2,912,223
Uniforms and Clothing	**373,247**	335,957
Land Equipment Spares	**256,370**	211,103
Contractor Held Inventory	**249,911**	151,309
Engineering, Test and Technical Equipment and Machine Tools	**238,639**	222,608
Communication and Informatics Equipment	**225,940**	214,794
Aircraft Spares	**193,242**	193,056
Sonobuoys, Parts and Accessories*	**142,987**	131,294
Ship Spares	**139,487**	132,841
Medical Equipment	**58,177**	59,371
Miscellaneous	**430,670**	391,126
	5,192,436	4,955,682

* Comparative figures have been reclassified to conform to the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Note 10. Tangible Capital Assets and Accumulated Amortization

Tangible Capital Assets

(in thousands of dollars)	**Balance Beginning of Year**	**Current Year Adjustments**	**Acquisitions**	**Disposals**	**Balance End of Year**
Land, Buildings & Works					
Land	76,462	0	0	(1,409)	**75,053**
Buildings	5,513,406	493,786	85,619	(440,606)	**5,652,205**
Works	1,521,221	120,091	7,338	(44,203)	**1,604,447**
	7,111,089	**613,877**	**92,957**	**(486,218)**	**7,331,705**
Machinery & Equipment					
Machinery and Equipment	1,941,530	13,811	59,180	(2,432)	**2,012,089**
Informatics Hardware	3,452,570	152,216	83,923	0	**3,688,709**
Informatics Software	235,769	36,027	4,945	0	**276,741**
Arms and Weapons	4,962,044	74,194	69,307	(198,219)	**4,907,326**
Other Equipment	49,207	(2,069)	3,243	(1,867)	**48,514**
	10,641,120	**274,179**	**220,598**	**(202,518)**	**10,933,379**
Ships, Aircraft & Vehicles					
Ships and Boats	12,480,012	147,057	116,810	0	**12,743,879**
Aircraft	12,136,823	96,940	157,028	(94,597)	**12,296,194**
Non-military Motor Vehicles	510,958	25,117	57,513	(38,303)	**555,285**
Military Vehicles	1,300,119	44,553	11,078	(21,772)	**1,333,978**
Other Vehicles	148,579	5,135	8,952	(2,515)	**160,151**
	26,576,491	**318,802**	**351,381**	**(157,187)**	**27,089,487**
Leasehold Improvements					
Leasehold Improvements	13,149	1,283	109	0	**14,541**
Leased Tangible Capital Assets					
Buildings	87,819	0	0	0	**87,819**
Informatics Hardware	2,910	0	5,883	0	**8,793**
Ships and Boats	379,340	341	0	0	**379,681**

(in thousands of dollars)	Balance Beginning of Year	Current Year Adjustments	Acquisitions	Disposals	Balance End of Year
Aircraft	788,459	(1)	0	0	**788,458**
	1,258,528	**340**	**5,883**	**0**	**1,264,751**
Work in Progress					
Buildings	680,278	(134,232)	238,260	0	**784,306**
Engineering Works	84,926	(73,794)	91,673	0	**102,805**
Informatics Software	482,240	(27,210)	59,375	0	**514,405**
Equipment	2,583,514	(792,917)	1,181,246	0	**2,971,843**
	3,830,958	**(1,028,153)**	**1,570,554**	**0**	**4,373,359**
Gross Tangible Capital Assets	**49,431,335**	**180,328**	**2,241,482**	**(845,923)**	**51,007,222**

Note 10. Tangible Capital Assets and Accumulated Amortization (continued)

Accumulated Amortization

(in thousands of dollars)	Balance Beginning of Year	Current Year Adjust-ments	Current Year Amorti-zation	Disposals	Balance End of Year	Net Book Value 2007	Net Book Value 2006
Land, Buildings & Works							
Land						**75,053**	76,462
Buildings	2,401,537	193,750	180,354	(319,828)	**2,455,813**	**3,196,392**	3,111,869
Works	970,350	7,833	59,997	(36,639)	**1,001,541**	**602,906**	550,871
	3,371,887	**201,583**	**240,351**	**(356,467)**	**3,457,354**	**3,874,351**	**3,739,202**
Machinery & Equipment							
Machinery and Equipment	1,380,934	16,963	74,136	(587)	**1,471,446**	**540,643**	560,596
Informatics Hardware	1,655,227	113,010	234,955	0	**2,003,192**	**1,685,517**	1,797,343
Informatics Software	70,165	7,101	30,966	0	**108,232**	**168,509**	165,604

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(in thousands of dollars)	**Balance Beginning of Year**	**Current Year Adjust-ments**	**Current Year Amorti-zation**	**Disposals**	**Balance End of Year**	**Net Book Value 2007**	**Net Book Value 2006**
Arms and Weapons	2,208,781	(79,989)	203,569	(160,909)	**2,171,452**	**2,735,874**	2,753,263
Other Equipment	28,728	(626)	2,992	(1,867)	**29,227**	**19,287**	20,479
	5,343,835	**56,459**	**546,618**	**(163,363)**	**5,783,549**	**5,149,830**	**5,297,285**
Ships, Aircraft & Vehicles							
Ships and Boats	5,474,723	48,704	432,338	0	**5,955,765**	**6,788,114**	7,005,289
Aircraft	7,758,152	(76,215)	395,953	(57,305)	**8,020,585**	**4,275,609**	4,378,671
Non-military Motor Vehicles	329,156	967	47,146	(37,006)	**340,263**	**215,022**	181,802
Military Vehicles	890,851	(8,979)	59,266	(19,983)	**921,155**	**412,823**	409,268
Other Vehicles	75,424	368	9,104	(1,781)	**83,115**	**77,036**	73,155
	14,528,306	**(35,155)**	**943,807**	**(116,075)**	**15,320,883**	**11,768,604**	**12,048,185**
Leasehold Improvements							
Leasehold Improvements	1,880	0	1,802	0	**3,682**	**10,859**	11,269
Leased Tangible Capital Assets							
Buildings	24,906	0	3,311	0	**28,217**	**59,602**	62,913
Informatics Hardware	2,102	0	1,299	0	**3,401**	**5,392**	808
Ships and Boats	10,470	(10,470)	8,407	0	**8,407**	**371,274**	368,870
Aircraft	226,270	0	38,163	0	**264,433**	**524,025**	562,189
	263,748	**(10,470)**	**51,180**	**0**	**304,458**	**960,293**	**994,780**
Work in Progress							
Buildings						**784,306**	680,278
Engineering Works						**102,805**	84,926
Informatics Software						**514,405**	482,240
Equipment						**2,971,843**	2,583,514
						4,373,359	**3,830,958**
Total	**23,509,656**	**212,417**	**1,783,758**	**(635,905)**	**24,869,926**	**26,137,296**	**25,921,679**

Amortization expense for the year ended March 31, 2007 is $1,784 million (2006 – $1,748 million)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Note 11. Deposits and Trust Accounts

The following table presents details of deposits and trust accounts:

(in thousands of dollars)	**2007**	2006
Contractor Security Deposits		
Deposits, beginning of year	**2,001**	2,430
Deposits received	**3,566**	5,336
Refunds	**(3,943)**	(5,765)
Contractor Security Deposits, end of year	**1,624**	2,001
Trust Account, Estates – Armed Services*		
Trust Account, beginning of year	**214**	121
Funds received	**1,848**	1,667
Payments	**(1,818)**	(1,574)
Trust Account, Estates – Armed Services, end of year	**244**	214
	1,868	2,215

* The trust account for Estates – Armed Services was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

Note 12. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenue stemming from funds received from foreign governments, to cover expenditures to be made on their behalf in accordance with agreements with the Government of Canada, and from funds received for other specified purposes. Details of the transactions related to this account are as follows:

(in thousands of dollars)	**2007**	2006
Foreign Governments		
Beginning of Year	**44,426**	61,305
Funds Received	**78,446**	94,378
Revenue Earned	**(77,857)**	(111,257)
Foreign Governments, end of year	**45,015**	44,426
Other Specified Purposes		
Beginning of Year	**17,460**	15,544
Funds Received	**14,121**	6,948
Revenue Earned	**(8,999)**	(5,032)
Other Specified Purposes, end of year	**22,582**	17,460
	67,597	61,886

Note 13. Canadian Forces Pension and Insurance Accounts

During the year, modernization of the *Canadian Forces Superannuation Act* came into force, providing pension entitlements for eligible reserve members of the Canadian Forces as part of the new Reserve Force Pension Plan and modernizing existing pension entitlements that are part of the Canadian Forces Pension Plan. The two plans together are referred to as the Canadian Forces Pension Plans.

The Department maintains accounts to record the transactions pertaining to the Canadian Forces Pension Plans, which comprise the Canadian Forces Superannuation Account, the Canadian Forces Pension Fund Account, the Retirement Compensation Arrangement Account, and, commencing March 1, 2007, the Reserve Force Pension Fund Account. These accounts record transactions such as contributions, benefit payments, interest credits, refundable taxes and actuarial debit and credit funding adjustments resulting from triennial reviews and transfers to the Public Sector Pension Investment Board (PSP Investments).

The value of the liabilities reported in these financial statements for the Canadian Forces Pension Plans do not reflect the actuarial value of these liabilities determined by the Chief Actuary of the Office of the Superintendent of Financial Institutions nor the investments that are held by PSP Investments. Additional information on the Canadian Forces Pension Plans, including audited financial statements, is published in the Annual Report of the Canadian Forces Pension Plans, which is available through the Department of National Defence Website.

The Department also maintains the Regular Forces Death Benefit Account, which provides life insurance to contributing members and former members of the Canadian Forces. This account records contributions, premiums, interest, and benefit payments.

The following table provides details of the Canadian Forces Pension and Insurance Accounts:

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(in thousands of dollars)	**2007**	2006
Canadian Forces Superannuation Account		
Beginning of Year	**42,362,772**	41,350,714
Funds Received and other credits	**3,136,297**	3,158,617
Payments and other charges	**(2,211,903)**	(2,146,559)
Canadian Forces Superannuation Account, end of year	**43,287,166**	42,362,772
Canadian Forces Pension Fund Account		
Beginning of Year	**30,873**	88,851
Funds Received and other credits	**855,559**	827,503
Payments and other charges	**(84,292)**	(57,747)
Transfers to the Public Sector Pension Investment Board	**(738,546)**	(827,734)
Canadian Forces Pension Fund Account, end of year	**63,594**	30,873
RESERVE FORCE PENSION FUND ACCOUNT		
Beginning of Year	**0**	0
Funds Received and other credits	**4,856**	0
Payments and other charges	**(1,580)**	0
Reserve Force Pension Fund Account, end of year	**3,276**	0
Retirement Compensation Arrangements Account*		
Beginning of Year	**129,670**	94,907
Funds Received and other credits	**52,123**	64,875
Payments and other charges	**(32,443)**	(30,112)
Retirement Compensation Arrangements Account, end of year	**149,350**	129,670
Regular Forces Death Benefit Account		
Beginning of Year	**197,232**	196,098
Funds Received and other credits	**31,490**	31,315
Payments and other charges	**(32,080)**	(30,181)
Regular Force Death Benefit Account, end of year	**196,642**	197,232
	43,700,028	42,720,547

* The Retirement Compensation Arrangement (RCA) account records transactions for pension benefits that are provided in excess of those permitted under the *Income Tax Act*. The RCA is registered with Canada Revenue Agency (CRA) and a transfer is made annually between the RCA Account and CRA to either remit a 50-percent refundable tax in respect of the net contributions and interest credits or to be credited a reimbursement based on the net benefit payments. As at March 31, 2007 the total refundable tax transferred amounts to $136 million ($104 million in 2006).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Note 14. Lease Obligations for Tangible Capital Assets

The department has entered into agreements for buildings, aircraft, ships and boats and informatics hardware under capital lease (Refer to Note 10 of these financial statements). The obligations for the upcoming years include the following:

(in thousands of dollars)	Total Future Minimum Lease Payments	Imputed Interest (5.29% to 8.05%)	Balance of Obligations 2007	Balance of Obligations 2006
Buildings	118,203	(44,007)	**74,196**	76,487
Aircraft	883,516	(262,454)	**621,062**	653,802
Ships and Boats	59,144	0	**59,144**	101,573
Informatics Hardware	6,461	(960)	**5,501**	750
	1,067,324	**(307,421)**	**759,903**	**832,612**

Future Minimum Lease Payments

(in thousands of dollars)	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013 and Thereafter
Buildings	6,487	6,487	6,487	6,491	6,900	85,351
Aircraft	70,106	70,106	70,106	70,106	70,106	532,986
Ships and Boats	30,856	16,716	11,572	0	0	0
Informatics Hardware	1,999	1,999	2,463	0	0	0
	109,448	**95,308**	**90,628**	**76,597**	**77,006**	**618,337**

Note 15. Employee Benefits

(a) Pension benefits:

i) The department's Public Service employees participate in the Public Service Pension Plan, which is sponsored by the Government of Canada. Pension benefits accrue up to a maximum of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Department contribute to the cost of the Plan. The expense for the period from April 1, 2006 to March 31, 2007 amounts to $187.2 million ($187.5 million in 2005-2006), which represents approximately 2.2 times (2.6 times in 2005-2006) the contribution by employees.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

The Department's responsibility with regard to the pension plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

ii) The members of the Canadian Forces (Regular Force), and eligible members of the Reserve Force participate in the Canadian Forces Pension Plans, which are sponsored by the Government of Canada and administered by the Department. Pension benefits accrue up to a maximum of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and are indexed to inflation.

Both the members and the department contribute to the cost of the Plans. The expense for the period from April 1, 2006 to March 31, 2007 amounts to $693 million ($696 million in 2005-2006), which represents approximately 3.1 times (3.5 times in 2005-2006) the contribution by employees.

The department is responsible for providing program management and the day-to-day administration of the Plans. The actuarial liability and actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plans' sponsor.

(b) Severance Benefits:

The Department provides severance benefits to its public service employees and Canadian Forces members based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	**2007**	2006
Public Service Employees		
Accrued benefit obligation, beginning of year	**264,768**	212,877
Expenses for the year	**53,771**	69,639
Benefits paid during the year	**(20,920)**	(17,748)
Accrued benefit obligation, end of year	**297,619**	264,768
Canadian Forces Members		
Accrued benefit obligation, beginning of year	**1,007,000**	925,300
Expenses for the year	**150,864**	170,477
Benefits paid during the year	**(105,464)**	(88,777)
Accrued benefit obligation, end of year	**1,052,400**	1,007,000
	1,350,019	**1,271,768**

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Note 16. Contingent Liabilities

Contingent liabilities arise in the normal course of the operations of the Department and their ultimate disposition is unknown. The Department is involved in two categories of contingent liabilities, claims and litigations, and environmental liabilities.

(a) Claims and Litigations

Claims have been made against the Department in the normal course of operations. Legal proceedings for claims totalling approximately $12.324 billion ($12.474 billion in 2005-2006) were still pending at March 31, 2007. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

The *Public Sector Pension Investment Board Act* that received Royal Assent in September 1999 amended the *Canadian Forces Superannuation Act* to enable the federal government to deal with the excess amounts in the Canadian Forces Superannuation Account and the Canadian Forces Pension Fund. The legal validity of these provisions has been challenged in the courts. The outcome of these lawsuits is not determinable at this time.

(b) Environmental Liabilities – Contaminated and UXO Sites

Liabilities are accrued to record the estimated costs related to the management and remediation of environmentally contaminated sites and unexploded explosive ordnance (UXO) affected sites, where the Department is obligated or likely to be obligated to incur such costs. The Department has confirmed approximately 270 sites (238 sites in 2005-2006) where such action is possible and for which a liability of $497 million ($443 million in 2005-2006) has been recorded. The Department has estimated additional contingent liabilities of $1,616 million ($1,670 million in 2005-2006) for mitigation costs that are not accrued, as these are not considered likely to be incurred at this time. The Department's ongoing effort to assess contaminated and UXO sites may result in additional environmental liabilities related to confirmed sites, newly identified sites, changes in assessments, or intended use of existing sites. These liabilities will be accrued by the Department in the year in which they become known.

Note 17. Contingent Gain

DND entered into a contract to obtain military flying training over a 20-year term as part of the NATO Flying Training in Canada (NFTC) program. Among other services, the prime contractor provides aircraft by leasing them for the life of the program from a non-profit company, which was set up to finance the acquisition of aircraft. Surplus funds remaining in the accounts of the non-profit company will eventually accrue to the Government of Canada, once the asset purchase period has been completed for the acquisition of aircraft and excess funds have been declared surplus. At present, it is estimated that $23.6 million of the excess funds will be eventually declared surplus.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

Note 18. Contractual Obligations

The nature of the Department's activities can result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments when the services/goods are received. Contractual obligations over $10 million that can be reasonably estimated are as follows:

(in thousands of dollars)	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012 and Thereafter	Total
Fixed Assets	1,555,000	1,054,000	684,000	322,000	2,920,000	6,535,000
Purchases	1,582,000	1,132,000	769,000	641,000	3,269,000	7,393,000
Operating Leases	3,000	4,000	4,000	1,000	0	12,000
	3,140,000	**2,190,000**	**1,457,000**	**964,000**	**6,189,000**	**13,940,000**

Note 19. Related Party Transactions

The Department is related as a result of common ownership to all Government of Canada departments, agencies and Crown Corporations. The Department enters into transactions with these entities in the normal course of business and on normal trade terms. Also during the year, the Department received services that were obtained without charge from other Government departments as presented in part (a).

19 (a) Services Provided Without Charge by Other Government Departments

Throughout the year, the Department received without charge from other Departments, employer's contribution to the health and dental plans, accommodations, Worker's Compensation coverage and legal fees. These services listed below have been recognized in the Department's Statement of Operations as follows:

(in thousands of dollars)	2007	2006
Employer's Contributions to the Health and Dental Plans Paid by Treasury Board Secretariat	**524,962**	484,074
Accommodation Provided by Public Works and Government Services Canada	**70,862**	71,031
Worker's Compensation Coverage Provided by Human Resources and Social Development	**11,657**	11,258
Legal Services Provided by Justice Canada	**3,869**	2,711
	611,350	569,074

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so one department performs these on behalf of all departments and agencies without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as expenses in the Department's Statement of Operations.

19 (b) Payables Outstanding at Year-End with Related Parties

(in thousands of dollars)	2007	2006
Accounts Payable to Other Government Departments and Agencies	**99,846**	92,097

Section IV: Financial Tables for Selected Defence Portfolio Organizations

The Primary Reserve accounts for **7.6%** of the total Defence Services Program. The expenditures are divided into four categories: direct, indirect, attributed and capital costs. This method of reporting is intended to provide greater clarity on the makeup of the total costs of the Primary Reserve.

Direct expenditures include funds specifically budgeted for the Primary Reserve such as pay, travel and goods and services which are locally procured

Indirect expenditures reflect the Primary Reserve share of departmental resources, which are controlled centrally. Included are ammunition, equipment operating costs, clothing and the cost of maintaining facilities such as armouries.

Attributed expenditures are departmental overhead costs, which are allocated, for reporting purposes, to all activities including the Primary Reserves. In reality, these costs do not vary directly as a function of activity and would largely be incurred whether the Primary Reserve existed or not.

Capital expenditures are shown for the year in which payments have been made, and do not reflect an amortization of cost over the life of the asset. The capital expenditures can vary significantly from one year to the next, depending on priorities established within the capital equipment plan and the cash flow requirements of individual projects.

Table 1: Primary Reserve Full Cost Estimate

Primary Reserve Planned Expenditures

($Thousands) Type of Expenditure	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Direct Expenditures				
Pay	484,016	538,570	529,572	593,605
Regular Support Staff	129,579	138,140	137,296	125,310
Operating	57,285	82,757	79,118	92,719
Subtotal [1]	**$670,880**	**$759,467**	**$745,986**	**$811,634**
Indirect Expenditures				
Ammunition [2]	12,917	17,277	29,848	15,317
Equipment Usage	71,466	64,799	66,973	62,570
Clothing	11,516	12,625	12,561	14,899
Facility Operating	31,917	29,166	29,497	28,453
Subtotal	**$127,816**	**$123,867**	**$138,879**	**$121,239**
Base Support	180,558	191,294	193,876	220,131
Training	7,205	7,853	8,112	4,109
Subtotal	**$187,762**	**$199,147**	**$201,988**	**$224,240**
Operating Costs	**$986,458**	**$1,082,481**	**$1,086,852**	**$1,157,113**
Capital Expenditures				
Dedicated Capital	4,709	18,408	21,942	6,024
Shared Capital	97,749	58,094	36,975	29,923
Subtotal	**$102,458**	**$76,502**	**$58,917**	**$35,947**
TOTAL	**$1,088,916**	**$1,158,983**	**$1,145,769**	**$1,193,060**

Table 1: Primary Reserve Full Cost Estimate

Notes:

1. Pay expenditures in 2006–2007 are higher than planned figures due to more training being done this year than anticipated following the Reserve Force expansion announcement, pay increases, increased Support to Deployed Operations and temporary replacements of Regular Force positions.
2. Ammunition expenditures are lower than planned due to the ever-increasing use of reservists to fill various Task Force rotations resulting in the cancellation of many courses, low attendance at summer collective training exercises and low turnout for unit exercises.
3. Direct pay and operating amounts do not reflect spending involving members of the Canadian Rangers, the Cadet Instructors Cadre or the Supplementary Reserve sub-components. They do however include the cost of employing Primary Reservists in positions that would normally be occupied by the Regular Force.

Source: Vice-Chief of the Defence Staff Group

The Canadian Cadet Program expenditures for fiscal 2006–2007 amounted to **$185,796 K**. The following table provides expenditures by allotment over the past three years.

Canadian Cadet Program - Financial Resources

($ Thousands)	Actual Spending 2004–2005	Actual Spending 2005–2006	Planned Spending 2006–2007	Actual Spending 2006–2007
Vote 1 - Personnel	101,760	102,519	110,796	**106,913**
Vote 1 - Operating and Maintenance	65,671	70,133	70,696	**74,399**
Sub-total	**$167,431**	**$172,652**	**$181,492**	**$181,312**
Vote 10 – Grants and Contributions	990	1,140	1,140	**1,140**
Vote 5 - Capital	4,970	3,485	3,398	**3,344**
Total	**$173,391**	**$177,277**	**$186,030**	**$185,796**

Source: Vice Chief of the Defence Staff Group / Youth Program End Year Report 06–07

The Junior Canadian Rangers Program expenditures for fiscal 2006–2007 amounted to **$7,825 K**. The following table provides expenditures by allotment over the past three years.

Junior Canadian Rangers Program - Financial Resources

($ Thousands)	Actual Spending 2004–2005	Actual Spending 2005–2006	Planned Spending 2006–2007	Actual Spending 2006–2007
Vote 1 - Personnel	2,930	3,116	3,780	**3,415**
Vote 1 - Operating and Maintenance	3,937	4,868	4,462	**4,410**
Sub-total	**$6,867**	**$7,984**	**$8,242**	**$7,825**
Vote 5 - Capital	14	0	0	**0**
Total	**$6,881**	**$7,984**	**$8,242**	**$7,825**

Source: Vice Chief of the Defence Staff Group / Youth Program End Year Report 06–07

Table 2: Communications Security Establishment

Financial Resources ($ Thousands)	Actual Spending 2004–2005	Actual Spending 2005–2006	Planned Spending 2006–2007	Total Authorities 2006–2007	Actual Spending 2006–2007
Vote 1 - Salary and Personnel [1]	105,146	117,824	114,378	132,384	132,065
Vote 1 - Operating and Maintenance [2]	69,465	62,973	71,381	57,105	56,711
Sub-total Vote 1	**$174,611**	**$180,797**	**$185,759**	**$189,490**	**$188,776**
Vote 5 - Capital	34,649	29,963	39,977	40,671	39,725
Total	**$209,260**	**$210,760**	**$225,736**	**$230,161**	**$228,501**

*Due to rounding, figures may not add up to totals shown

Notes:

The difference between Planned Spending and Actual Spending for 2006–2007 is due to the following:

1. Salary and Personnel actual spending includes $4.5M in terminable allowance, $4.0M in new Human Resources contracts and $9.4M in increased staffing.
2. Operating and Maintenance actual spending 2006–2007 were reduced to allow transfer of funds ($11.5M) to cover additional wages requirements and related employee benefit plan and to carry forward ($2.5M) for National Security Policy (NSP) initiatives to 2007–2008.

Source: Communication Security Establishment and Assistant Deputy Minister (Finance and Corporate Services) Groups

Human Resources

	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Civilian FTEs	1,424	1,492	1,567	1,578

Source: Assistant Deputy Minister (Human Resources-Civilian) Group

Table 3: Office of the Judge Advocate General

Financial Resources ($ Thousands)	Actual Spending 2004–2005	Actual Spending 2005–2006	Planned Spending 2006–2007	Total Authorities 2006–2007	Actual Spending 2006–2007
Vote 1 - Salary and Personnel [1]	4,339	4,494	5,516	4,666	4,563
Vote 1 - Operating and Maintenance	2,896	2,475	2,946	3,017	2,955
Sub-total Vote 1	**$7,235**	**$6,969**	**$8,462**	**$7,683**	**$7,518**
Vote 5 - Capital [2]	204	-	153	9	8
Grand total	**$7,439**	**$6,969**	**$8,615**	**$7,692**	**$7,526**
Corporate Account					
Vote 1 - Crown Liabilities	170	215	222	222	153
Total	**$7,609**	**$7,184**	**$8,837**	**$7,914**	**$7,679**

* Due to rounding, figures may not add up to totals shown.

Notes:

The difference between Planned Spending and Actual Spending for 2006–2007 is due to the following:

1. Salary and Personnel actual spending is lower than planned spending as a result of vacant positions.
2. The surplus in capital is due to planned capital projects no longer required, as only minimal requirements were covered.

Sources: Office of the Judge Advocate General and Assistant Deputy Minister (Finance and Corporate Services) Groups

Human Resources

	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Civilian FTEs	87	84	84	78.6

Source: Assistant Deputy Minister (Human Resources-Civilian) Group

Table 4: Office of the Ombudsman for the Department of National Defence and the Canadian Forces

Financial Resources ($ Thousands)	Actual Spending 2004–2005	Actual Spending 2005–2006	Planned Spending 2006–2007	Total Authorities 2006–2007	Actual Spending 2006–2007
Vote 1 - Salary and Personnel	2,822	3,388	3,765	3,431	3,430
Vote 1 - Operating and Maintenance	2,241	1,998	2,565	1,909	1,881
Sub-total Vote 1 [1]	**$5,063**	**$5,386**	**$6,330**	**$5,340**	**$5,312**
Vote 5 - Capital [2]	86	54	187	19	19
Total	**$5,149**	**$5,440**	**$6,517**	**$5,359**	**$5,331**

* Due to rounding, figures may not add up to totals shown.

Notes:

The difference between Planned Spending and Actual Spending for 2006–2007 is due to the following:

1. The surplus in Vote 1 is due to vacant positions and related operating and maintenance expenses to be filled in 2007–2008.
2. The surplus in capital is due to planned capital projects no longer required, as only minimal requirements were covered.

Sources: Office of the Ombudsman for the Department of National Defence and the Canadian Forces and Assistant Deputy Minister (Finance and Corporate Services) Groups

Human Resources

	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Civilian FTEs	42.5*	46	48.9	50

*Does not include 1 FTE seconded into the Department and 3 FTEs seconded out of the Department.

Source: Assistant Deputy Minister (Human Resources-Civilian) Group

Table 5: Defence Research and Development Canada

Financial Resources ($ Thousands)	Actual Spending 2004–2005	Actual Spending 2005–2006	Planned Spending 2006–2007	Total Authorities 2006–2007	Actual Spending 2006–2007
Vote 1 - Salary and Personnel [1]	96,451	102,139	96,869	108,986	107,389
Sub-total Vote 1 Salary and Personnel	**$96,451**	**$102,139**	**$96,869**	**$108,986**	**$107,389**
Vote 1 - Operating and Maintenance	25,873	35,306	36,344	37,781	37,602
Vote 1 - Research & Development Contracts [2]	94,237	90,964	92,245	84,741	86,379
Vote 1 - Environment	1,654	1,488	2,000	1,900	1,836
Vote 1 - Canadian Centre for Mine Action Technologies (CCMAT)	2,115	2,399	1,000	1,000	906
Vote 1 - Chemical, Biological, Radiological and Nuclear (CBRN) Research and Technology Initiative (CRTI) [3]	30,417	29,158	35,180	25,000	23,002
Vote 1 - Revenue		(4,687)	(3,500)	(2,500)	(3,214)
Sub-total Vote 1 Operating and Maintenance	**$154,296**	**$154,628**	**$163,269**	**$147,922**	**$146,511**
Sub-total Vote 1	**$250,747**	**$256,767**	**$260,138**	**$256,909**	**$253,899**
Vote 5 - Capital	13,492	13,216	6,981	28,100	27,755
Vote 5 - Counter Terrorism Technology Centre (CTTC)	1,500	5,300	2,500	4,000	4,000
Vote 5 - Chemical, Biological, Radiological and Nuclear (CBRN) Research and Technology Initiative (CRTI)	2,954	2,501	3,000	3,000	3,000
Sub-total Vote 5	**$17,946**	**$21,017**	**$12,481**	**$35,100**	**$34,755**
Total	**$268,693**	**$277,784**	**$272,619**	**$292,008**	**$288,655**

* Due to rounding, figures may not add up to totals shown.

Notes:

The difference between Planned Spending and Actual Spending for 2006–2007 is due to the following:

1. Salary and Personnel planned spending does not include $5.4M in terminable allowances and $800K of increments paid to Defence Scientists and a $2.3M in other salary increases.
2. Research and Development (R&D) Contracts actual spending is lower than planned spending due to some R&D Contracting projects falling behind schedule and reduced spending to allow transfer of funds to cover additional wages requirements.
3. CRTI: Planned spending is lower than actual as $10.5M was reprofiled to future years. This is due to the fact that this initiative is still in its developmental phase and needs more time to establish its relationships and partnerships before it becomes fully operational.
4. Capital actual spending higher than planned to meet serious capital asset deficiencies within the organisation. Additional funding was allocated during the year to address deficiencies. Some of the funding ($6M) was used to buy equipment to conduct research related to operations in Afghanistan.

Sources: Defence Research and Development Canada and Assistant Deputy Minister (Finance and Corporate Services) Groups

Human Resources

	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Civilian FTEs	1,379	1,418	1,477	1,467

Source: Assistant Deputy Minister (Human Resources-Civilian) Group

Table 6: National Search and Rescue Secretariat

Financial resources ($ Thousands)	Actual Spending 2004–2005	Actual Spending 2005–2006	Planned Spending 2006–2007	Total Authorities 2006–2007	Actual Spending 2006–2007
Vote 1 - Salary and Personnel	1,364	1,227	1,567	1,538	1,535
Vote 1 - Operating and Maintenance[1]	995	876	1,052	817	800
Sub-total Vote 1	**$2,359**	**$2,103**	**$2,619**	**$2,355**	**$2,334**
Vote 5 - Capital[2]	4,452	104	993	82	74
Vote 10 - Grants and Contributions[3]	3,182	3,665	3,518	2,052	1,971
Total	**$9,993**	**$5,872**	**$7,130**	**$4,489**	**$4,380**

* Due to rounding, figures may not add up to totals shown

Notes:

The difference between Planned Spending and Actual Spending for 2006–2007 is due to the following:

1. Operating and Maintenance surplus is due to the inability to implement several projects resulting from workload challenges.
2. Capital surplus is a result of the regular cycle of annual calls for new Search and Rescue New initiatives Fund (SAR NIF) projects disrupted.
3. Grants and contributions surplus is explained by cancellation of two contribution agreements.

Source: Assistant Deputy Minister (Finance and Corporate Services) Group

Human Resources

	Actual 2004–2005	Actual 2005–2006	Planned 2006–2007	Actual 2006–2007
Civilian FTEs	17.3	20	23	20

Notes:

1. Actual 2004–2005 does not include 2.5 FTEs seconded into the Department.
2. Planned 2006–2007 source data Report on Plans and Priorities 2007–2008.

Source: Assistant Deputy Minister (Human Resources-Civilian) Group

Section V: Executive and Corporate Services

Executive and Corporate Services do not constitute a program activity within the PAA construct. They do, however, comprise the corporate management activities carried out by individual organizations within Defence.

Safety Programs

The General Safety Program

The General Safety Program was established at DND to ensure that safety considerations are incorporated into every aspect of Defence operations, training and support activities. As well as occupational safety for both civilian and military personnel, it comprises occupational health and the Return to Work program for Defence civilians. The General Safety Program is designed to meet the legislative requirements of the Canada Labour Code, Part II (CLC, Part II), and is complemented by ten specialized safety programs that address regulatory regimes such as nuclear and flight safety, and functional areas such as diving and work with explosives.

During the reporting year, Defence established the Departmental Safety Co-ordinating Authority as a unified health and safety governance structure under the Vice Chief of the Defence Staff. The head of this organization chairs the National Defence Health and Safety Council *ex officio*.

In response to the enactment of Part XIX of the Canada Occupational Health and Safety Regulations (Hazard Prevention), and under the direction of the National Defence Health and Safety Council, Defence promulgated new policy and guidance pertaining to hazard identification and risk management; provided Human Resources and Social Development Canada with a status report on the state of occupational health and safety in the department; and promulgated an implementation plan to satisfy the requirements of the new regulation.

Nuclear Safety

Defence continued to meet the requirements of the Order in Council that excludes DND and the CF from the *Nuclear Safety and Control Act* or any regulations made pursuant thereto. The requirements established for DND and the CF on behalf of the Minister of National Defence for the management of nuclear-related activities were consistent with the requirements for health, safety, security, and the protection of the environment established under the Act, and provided the flexibility required to achieve operational effectiveness in Canada and abroad.

Management of nuclear-related activities in Defence is assessed annually for safety and effectiveness through its compliance assessment program. Satisfactory levels of compliance were demonstrated during fiscal 2006–2007.

The DND/CF nuclear safety requirements established in the Nuclear Safety Orders and Directives are available on line with the annual reports on nuclear safety at: http://www.nuclearsafety.forces.gc.ca/DGNS_Docs_e.htm

Enhance Modern Management

Defence in its effort to enhance modern management supports effective and efficient management practices consistent with the Government of Canada standards. Defence is tracking performance in this area using the Management Accountability Framework (MAF).

Governance and Strategic Direction

Defence has implemented a new strategic governance structure for DND and the CF, devised to correct shortfalls identified by the Auditor General and to improve decision-making in the new chain of command and control in the CF. The new strategic governance structure retains many components of its predecessor, such as the Defence Management Committee, but it also includes new bodies such as the Commanders' Council, a venue for resolving strategic issues that affect the conduct of operations. In the new structure, the Joint Capability Requirements Board has been replaced with the more strategically focussed Defence Planning Board and its subordinate, the Capability Development Board. The Capability Development Board and the Program Management Board will advise the Defence Planning Board on the development of an effective, achievable defence program.

Just as important as structural changes are the philosophical changes to the governance committee structure that affect how the various boards, committees and councils operate. Now the primary role of a committee is not to make decisions but to advise the committee chair, which is the decision-maker held accountable. While this change liberates committees from the obligation to reach consensus, it preserves effective consultation with committee members as a salient feature of board processes. Structural change has also brought new members to the various boards, councils and committees. Level 1 authorities — that is, Group heads and the Environmental Chiefs of Staff — no longer sit *ex officio* on all the committees of the strategic governance structure. Representatives at the Assistant Level 1 level now make up the Defence Management Oversight Committee, the Capability Development Board and the Program Management Board. These changes were introduced to relieve Level 1 authorities of committee work and allow them to focus upon strategic concerns.

The new strategic governance structure is the first of a series of significant improvements to DND/CF decision-making processes. More refinements will follow in due course.

Risk Management

In January 2007, the Vice Chief of the Defence Staff released a new version of the DND/CF Integrated Risk Management Policy and Guidelines and approved Part 1 of the Corporate Risk Profile. Part 2 of the Corporate Risk Profile, which is scheduled for completion by the end of 2007, will detail the top-level strategic risks to Defence, with the department's risk-tolerance and risk-mitigation strategies. The assimilation of integrated risk management into the Performance Management Framework began in early 2007; the DND/CF Integrated Risk Management Implementation Plan is complete and currently awaiting signature by the Vice Chief of the Defence Staff. This document details the steps in integrating risk management across the Defence Planning and Management functions. The business planning call letter for fiscal 2008–2009 requires, for the first time, a risk assessment linked to corporate strategic objectives. An on-line course entitled "Introduction to Risk Management" is now available to all Defence personnel, both military and civilian.

Stewardship and Comptrollership

In response to the Government Action Plan on strengthening public sector management, DND worked on many initiatives to strengthen accountability and comptrollership. Some of these include:

- **Financial Administration Act** – DND continued to improve its financial control framework to ensure Departmental Compliance with the FAA for the over one million payments made during fiscal 2006–2007 for a value of $14.4 billion. The Department employed a rigorous pre- payment audit of the 4,609 payments over $250,000 in value (totalling more than $7.6 billion). It also conducted a cyclical, representative, on-going review by spending authority of payments under $ 250,000. Feedback from internal and OAG audits helped improve the departmental risk-based assessment of activities that fall under the financial control framework. Quarterly FAA Compliance reports were provided to all Senior Management outlining the results of the various compliance reviews conducted on their respective areas of responsibility. A senior level steering committee provided regular oversight to all aspects of the financial and contractual control frameworks on behalf of the Deputy Minister.
- **Commitment Accounting** – During the reporting period, commitment accounting for invoice processing, including Salary Wage Envelope, National Procurement and Work Breakdown Structure activities, as well as the payment of invoices to a supplier/contractor, became a mandatory requirement within the DND FMAS.
- **Accrual Accounting Implementation** – DND worked on issues related to assets and inventories to ensure these are properly recorded in the DND FMAS and correctly represented in the DND Financial Statements. A three-year action plan, to guide the implementation of accrual accounting, was established and is being monitored by a senior management Interdepartmental Steering Committee on Asset and Inventory Valuation. As part of the DND Audited Financial Statements Project, a complete review and documentation of internal controls (automated and manual), as they relate to assets and inventories, is being conducted and once completed should result in procedural and process changes to further improve the way DND accounts for these items.

Accountability

In June 2004, the DM issued a Strengthening Accountability and Comptrollership Directive. The Directive provided clear guidance and direction to managers and leaders at all levels on management practices and controls, stewardship of resources, probity and fiduciary responsibilities. In November 2004, 2005 and 2006 senior level Comptrollers provided updates on implementing the Directive in their respective organizations. November 2006 was the final formal update; however, informal oversight will continue.

Management Accountability Framework

Each year, the Secretariat of the Treasury Board of Canada conducts an analysis using the 10 elements of the Management Accountability Framework (MAF) to evaluate management at Defence. This assessment is not only a insightful source of information for the Treasury Board, Parliament, the Office of the Auditor General and the Canadian public, but also an excellent opportunity for Defence to see where management practices and processes should be improved, and to pursue excellence. In fiscal 2006–2007, DND conducted an internal assessment using 20 MAF indicators and associated measures covering all 10 MAF elements. Overall, the department's performance was graded as satisfactory, with specific recognition for establishing a productive, principled, sustainable and adaptable workforce; achieving effective management of information technology; and delivering citizen-focused service. Areas identified as requiring improvement included risk management and financial management and control. The following three management priorities were identified for fiscal 2007–2008:

- submit a Strategic Investment Plan to Treasury Board;
- continue work on the Management, Resources and Results Structure (MRRS); and
- provide an update on military recruitment.

To this end, DND established an implementation plan for integrating the MAF process and recommendations into Defence operations. MAF indicators and measures will be integrated into the department's strategic performance measurement system in support of the Balanced Scorecard, and OPIs will be formally appointed for each MAF indicator and measures to track compliance with recommendations from assessments and to support the integration of these measures into the Balanced Scorecard and their regular submission.

Governance Framework

PricewaterhouseCoopers LLP conducted a Readiness Assessment to identify the steps the Department must follow to document, assess, implement and improve on the various controls over all aspects of business being reported in the departmental financial statements. To this end, a solid governance framework was put in place to monitor the activities. DND initiated a project to move to a controls-reliant[6] audit of its financial statements and took a deliberate and methodical approach to moving forward on this initiative.

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[6] Controls-reliant audit is one that accepts the results because the system and manual controls have been audited and the results have been confirmed as good, as opposed to a substantive audit where the auditor verifies transactions and processes before accepting the results/information provided to them.

Results and Performance

The Performance Management Framework (PMF) system at DND is maturing, and senior managers discuss issues raised through the PMF system in structured Balanced Scorecard discussions. However, the DND/CF PMF is challenged to maintain relevant indicators and measures for strategic objectives that are difficult to quantify. Some strategic objectives on the corporate strategy map are combinations of related corporate objectives or legally mandated programs that do not lend themselves to definitive measurement. The senior leaders have identified a need to examine certain strategic objectives for current relevance and to refine the indicators and measures that relate to the health of those strategic objectives.

Strategy reviews are conducted on a semi-annual cycle. Senior managers recently identified a requirement to discuss strategy between formal reviews, possibly quarterly or more often when necessary. It was also decided that decisions made at the formal reviews would be assigned milestones with one senior manager responsible for oversight and for reporting results to the senior management committee.

The semi-annual Performance Measurement Report has evolved into a discussion paper circulated among senior managers to share information about the state of all areas of the Strategy Map. It continues to be a cornerstone of communication among senior leaders and stimulates the discussion among decision-makers that is necessary if appropriate actions are to be identified. Risk management has also been introduced to the PMF and will be integral to the monitoring of strategic objectives in the future. Defence is endeavouring to cascade this structure and format down to other levels of DND and the CF. While many of DND's senior management level organizations have a Strategy Map or a Balanced Scorecard, few subordinate units have adopted them for measuring their own objectives. Although Defence still has work to do to achieve a fully cascaded PMF, some of these senior management level organizations are reporting success with the framework.

For example, the strategic PMF continues to evolve at Maritime Command, producing performance measurement reports focussing on the capability plan to track actual spending against planned spending. Non-fiscal reports concentrated on force generation and the number of funded sea days required to achieve overall fleet readiness and satisfy force employment requirements.

Land Force Command continues to focus on its performance measurement program with the development of an army-wide Action Directive on program requirements. The Area Commands use the program extensively to monitor business lines and the Area Commander has hard data to make decisions. The program supports the reporting requirements of the biennial Defence Management Committee (DMC), and is involved in developing performance measures for the annual Report on Plans and Priorities and Departmental Performance Report. Currently, the LFC performance measurement program is in a period of regeneration, as measures and data sources are updated or automated to comply with new reporting requirements and tap departmental records systems more effectively, gathering higher-quality data.

Air Command uses the Balanced Scorecard as its primary performance management tool, and the strategic objectives in the Strategy Map are the keys to overall strategy execution in the air force. Since continuous improvement in resource stewardship is a key goal, Air Command will continue to improve the monitoring of the effective use of resources, focussing on assigning resources to tasks and priorities, and aligning the business planning process more closely with the parallel performance management process. At the strategic level, Air Command will implement the Comptrollership Action Plan to continue developing and strengthening its management processes and tools. The plan includes process enhancements to the Air Command Performance Management Framework (including the Balance Scorecard), the Business Plan Quarterly Report, shifting allocations under the business plan to the Program Activity Architecture, and the initial development of a formal risk assessment framework for Air Command.

The Human Resources – Civilian Group has maintained a Performance Measurement Framework for the last four years, with measures focused on retention, workforce health, and workforce growth. The PMF has helped identify civilian human resources processes that should be improved. It will be combined with the risk management framework, and developed further, primarily to cover other areas of the Balanced Scorecard and to assess the quality of programs and services. The PMF will also include management tools to help senior management in the Human Resources – Civilian Group align the Group's PMF with the Defence-wide Strategic Performance Management Framework.

Effective performance measurement will produce information useful to planning and control across Defence, helping to ensure a close alignment of direction, efforts and results. Defence still has work to do to ensure that a relevant PMF structure is disseminated throughout the organization. Corporate priorities that used to be developed in isolation from the corporate strategy map are now written to reflect both the corporate strategy objectives and the MAF. The execution of the Defence Program through the Defence Plan has yet to be linked to the corporate strategy map. Through reference to the business planning and the new governance structure, this linkage will be established.

Audits and Evaluations

Internal Audit

A key goal of the internal audit function during fiscal 2006–2007 was its expansion to meet the requirements of the new Treasury Board internal audit policy. Expansion efforts were constrained by several factors, including the continued growth of internal audit in both the public and private sectors, which has led to sharp competition for the limited supply of personnel with the appropriate skills and qualifications. As a result, although the Chief of Review Services launched a competitive process to staff senior-level audit positions and continued to take advantage of the Internal Audit Recruitment and Development Program, expansion efforts have been slower than originally planned.

Despite shortages in audit staff, CRS initiated all but one of the audit projects planned for fiscal 2006–2007 and responded to several unforeseen requests for audit services. Audit work focused on major capital procurement; information management and information technology systems; and management of human and financial resources. A list of audit work completed during fiscal 2006–2007 is given in Table 13, and audit reports are available on line at http://www.forces.gc.ca/crs/rpt/reports_e.htm.

Program Evaluation

During fiscal 2006–2007, the program evaluation function continued to play an important role in advising senior management on value for money, program rationale, and program effectiveness in DND and the CF. CF transformation and key areas of CF operations also became more prominent in evaluation work, particularly as they relate to people, technology, ways of conducting operations, and ways of thinking.

A list of program evaluations completed during fiscal 2006–2007 is given in Table 13, and program evaluation reports are available on line at http://www.forces.gc.ca/crs/rpt/reports_e.htm.

Labour Relations

Defence continued to promote the use of Alternative Dispute Resolution (ADR) to resolve complaints by: having senior managers propose or choose ADR as the first option; supporting Dispute Resolution Centres across the country; integrating ADR principles into training for supervisors; raising awareness of ADR; and working with bargaining agents to ensure their support of ADR processes. When offered, ADR was accepted as a dispute resolution mechanism in about 20 percent of cases.

DND prepared for the negotiation of Essential Services Agreements (ESAs) by: engaging senior management in identifying the essential services Defence provides and the level of service to be maintained; preparing policy and communication tools for managers; and working with the Union of National Defence Employees (a component of the Public Service Alliance of Canada) to develop the negotiation process for the round of collective bargaining due to be conducted during fiscal 2007–2008.

To implement the provisions of the new *Public Service Employment Act* with respect to political activity, Defence provided its employees and managers with advice about changes to the Public Service Commission (PSC) process for obtaining approval to seek office, and worked with the PSC to expedite employees' requests to seek office and to ensure respect for PSC decisions.

Civilian Recourse Registry

The Civilian Recourse Registry is the gateway for integrated receipt, tracking and administration of civilian labour relations and classification grievances, staffing complaints, and human rights complaints.

During the reporting period, the registry developed, tested, finalized and distributed procedures for the handling of staffing complaints to the Public Service Staffing Tribunal (PSST) under the new *Public Service Employment Act*. Procedures for the receipt and processing of classification grievances were drafted, and the standardized national process for labour relations grievances was modified.

The grievance tracking system (now called the Recourse Tracking System) was modified to capture staffing complaints referred to the PSST and the PSC as well as classification and labour relations grievances. Although the number of classification grievances remains constant, the proportion of grievances upheld has decreased.

Through networking, workshops, conferences and learning events, registry staff created opportunities to speak to human resources practitioners, managers and union representatives to communicate new ways to handle complaints and grievances. A website is being created to promote the registry and inform Defence employees about recourse.

Concurrent Jurisdiction

As a result of legislative projects that became high priorities at the Office of the Judge Advocate General during the reporting period (including Bill C-7, *An Act to Amend the National Defence Act*; Bill S-3, *An Act to Amend the National Defence Act, the Criminal Code, the Sex Offender Information Registration Act and the Criminal Records Act*; and Bill C-18, *An Act to Amend Certain Acts in Relation to DNA Identification*), no progress was made on the Concurrent Jurisdiction project during fiscal 2006–2007.

Office of the Department of National Defence and Canadian Forces Ombudsman

The Ombudsman's Office contributes to substantial, long-lasting change in DND and the CF. Independent of the chain of command and civilian management, the Ombudsman reports directly to the Minister of National Defence and helps ensure fair, equitable treatment of all members of the Defence community.

The Ombudsman's Office is a direct source of information, referral and education for Defence civilians and CF members. It helps individuals access channels of assistance or redress when they have a complaint or concern. The office also investigates complaints and serves as a neutral third party on matters related to DND and the CF and, when necessary, reports publicly on these issues.

During fiscal 2006–2007, the office handled 1,821 cases (including both new cases and cases carried over from previous fiscal years). Of this number, 1,514 cases were formally closed. Since the office was established in 1998, it has received nearly 12,000 contacts from CF members, Defence civilians, relatives of CF members, and other constituents.

During fiscal 2006–2007, the office finalized two investigations and published two special reports. In July 2006, the Ombudsman released *The Canadian Face Behind the Recruiting Targets*, a report on the CF recruiting system. As well as identifying several problem areas in the current CF recruiting system, the report offered 18 recommendations aimed primarily at improving the level of service provided to applicants.

In October 2006, the Ombudsman issued *Heroism Exposed: An Investigation into the Treatment of 1 Combat Engineer Regiment Kuwait Veterans (1991)*, a special report on the treatment received by CF members exposed to toxic environmental substances more than 15 years ago. *Heroism Exposed* contains nine recommendations aimed specifically at improving the way in which the CF communicate and document concerns — real, perceived and potential — related to environmental hazards on international military operations.

In June 2006, the Office of the Ombudsman (OMB) also launched its first systemic investigation involving CF Reservists. The investigation focused on the quality of care that Reservists or former Reservists received when they sought medical treatment from the CF over the past three years. The OMB is expected to finalize the investigation, and publish a special report, in the fall of 2007.

Over the past year, the Office of the Ombudsman began reorganizing its Operations Group to increase the quality and timeliness of its services. Three smaller, nimbler investigative teams that can manage both individual complaints and systemic investigations replaced the General Investigations Section and the Special Ombudsman Response Team. The Intake section was expanded to allow faster interventions and informal resolution of complaints and concerns. The reorganization of the Operations group will also include revised standard operating procedures, a more robust case-tracking and case-management system, and a stronger research and policy-development function.

Throughout fiscal 2006–2007, the Office of the Ombudsman also focused on establishing measures to increase openness, transparency and accountability in its activities and operations. For example, the Office launched a new Internet site that will allow public access to information about the progress of special investigations and the status of all recommendations from the Ombudsman to the Minister of National Defence, the Department of National Defence and the Canadian Forces since 1998, when the Office was established.

Director Access to Information and Privacy

In fiscal 2006–2007, DND experienced a 60% growth in the number of files received under Access to Information. Based on the Information Commissioner's Report, DND performance improved from a " C" rating the previous year to a "B". The Director Access to Information and Privacy (DAIP) organization undertook an organizational review and implemented a number of changes to strengthen the capacity of the organization.

Defence Public Affairs

Throughout the year, Defence Public Affairs provided professional and timely communications advice and products to:

- Promote understanding of the Canadian Forces among Canadians;
- Foster, strengthen and expand Canadians' engagement with the CF; and
- Maintain and increase public confidence in the CF.

Public Affairs supported major procurement announcements, deployments in North America and around the world, the Minister of National Defence, the Chief of the Defence Staff, and all departmental organizations. In addition, Public Affairs continued to stay on top of daily issues, coped with crises and orchestrated events at home and abroad.

PA assets across Canada, the United States, and Europe and around the world produced significant results for Defence.

During fiscal 2006–2007, both the news media and the public demonstrated a deep and continuing interest for information about the CF. The Assistant Deputy Minister (Public Affairs) received more than 6,400 enquiries from the media — almost twice as many as in 2005–2006 — and 16,679 enquiries from the public.

In addition, the Public Affairs Group:

- Provided the news media with still and video imagery from every major CF operation;
- Produced video stories on 16 CF operations and posted them on the Internet at sites as varied as the CF Image Gallery, YouTube and ITunes;
- Continued the tradition of a prominent CF presence at major regional and national events;
- Conducted extensive public opinion research to gauge Canadians' attitudes to the Canadian Forces and its operations in Afghanistan; and
- Produced thousands of communications products including issues and operations backgrounders, media advisories, news releases, speakers' kits, Ministerial statements, media analyses, brochures, pamphlets and backdrops for exhibits.

The Defence Public Affairs Learning Centre (DPALC) opened officially in May 2006 with a mission to give Defence personnel, especially CF members, the training and expertise they need to connect effectively with Canadians, and to develop a cadre of professional Public Affairs Officers (PAOs) in the CF.

While hundreds of Canadian Forces personnel received training directly from DPALC staff, thousands more received media and public affairs awareness training via packages provided to PAOs across Canada. As a result, our CF members are authoritative, professional and articulate in a wide variety of situations in the public eye. DPALC also supported CF operations abroad; for example, by delivering four spokesperson-training sessions to commanders and headquarters staff before their deployment to Afghanistan.

Defence success depends in part on the perceptions, level of understanding, and support it receives from its stakeholders and clients. Reaching them requires a co-ordinated approach, communications that target the appropriate audiences with consistent messaging, and communications that respond to stakeholders' needs. During the reporting period, Defence public affairs practitioners across Canada reached thousands of Canadians through stakeholder events and visits, roundtable sessions, speeches and outreach activities. Cumulatively, all of these efforts helped Defence build strong relationships with stakeholders whose knowledge, expertise and understanding are invaluable when issues arise.

While events and activities targeting strategic audiences and objectives helped increase awareness among Defence stakeholders, they also produced a multiplier effect when participating stakeholders related their experiences with the CF to their friends, colleagues and communities through activities, events and the media.

From CF transformation to operations in Afghanistan, Defence Public Affairs was there every step of the way, delivering public affairs programs and activities, products, advice and support and, most importantly, expertise born of experience.

Due to the persistent efforts of Defence public affairs staff, Canadian soldiers, sailors, airmen and airwomen are now part of the fabric of Canadian life. Canadians have heard the voices and seen the faces of the men and women who defend Canada and contribute to international peace and security. In many cases, they have met face to face. "Support our troops" is a call to action that has become a reality.

Section VI: Additional Information

Appendix A – Recognizing Individuals and Team Achievements

Defence is committed to its employees and recognizes the tremendous efforts made by individuals and teams in the accomplishment of their goals and their courage and commitment in the line of duty. A listing of recipients of Honours, Awards and External Awards can be found at: http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2007/AppA_e.asp

Appendix B – List of Key Partners and Stakeholders

The Department of National Defence and the Canadian Forces collaborate with many partners in Canada and abroad that help support the Defence mission. The broad scope of the Defence mandate is reflected in the complexity and diversity of it is partners and stakeholders. To view the comprehensive list of Defence partners and stakeholders, visit: http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2007/AppB_e.asp

Appendix C – Legislation and Regulations Administered

The Minister of National Defence is responsible to Parliament for many statutes, and is assigned relevant responsibilities in the administration of many laws and regulations. The comprehensive list is available at: http://www.vcds.forces.gc.ca/dgsp/pubs/rep-pub/ddm/dpr2007/AppC_e.asp

Appendix D – Contact Information

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Internet sites on the World Wide Web

Department of National Defence	http://www.forces.gc.ca
Office of the Judge Advocate General	http://www.forces.gc.ca/jag/main_e.asp
Office of the Ombudsman for National Defence and the Canadian Forces	http://www.ombudsman.forces.gc.ca/
National Search and Rescue Secretariat	http://www.nss.gc.ca/
Defence Research & Development Canada	http://www.drdc-rddc.gc.ca
Communications Security Establishment	http://www.cse-csi.gc.ca/
Defence Planning and Management	http://www.vcds.forces.gc.ca/dgsp/intro_e.asp

Appendix E - List of Acronyms

A

ACP-S	Airlift Capability Project - Strategic
ACP-T	Airlift Capability Project - Tactical
ADR	Alternative Dispute Resolution
ANA	Afghan National Army
AU	African Union

C

C2	Command and Control
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
CANOSCOM	Canadian Operational Support Command
CANSOFCOM	Canadian Special Operations Forces Command
CAS	Chief Air Staff
CBP	Capability-Based Planning
CBRN	Chemical, Biological, Radiological and Nuclear
CBRNE	Chemical, Biological, Radiological and Nuclear Explosive
CDA	Canadian Defence Academy
CDI	Chief of Defence Intelligence
CDLS	Canadian Defence Liaison Staff
CDS	Chief of the Defence Staff
CEFCOM	Canadian Expeditionary Forces Command
CEOTP	Continuing Education Officer Training Plan
CF	Canadian Forces
CFAWC	Canadian Forces Aerospace Warfare Centre
CFB	Canadian Forces Base
CFGA	Canadian Forces Grievance Authority
CFGB	Canadian Forces Grievance Board
CFHIS	Canadian Forces Health Information System
CFLC	Canadian Forces Liaison Council
CFRG	Canadian Forces Recruiting Group
CFSATE	Canadian Forces School of Aerospace Technology and Engineering
CFSS	Canadian Forces Supply System
CFSTG	Canadian Forces Support and Training Group
CIC	Cadet Instructors Cadre
CIDA	Canadian International Development Agency
CIMIC	Civil Military Co-Operation
CLS	Chief Land Staff
CMP	Chief Military Personnel
CMS	Chief Maritime Staff
CMTC	Canadian Manoeuvre Training Centre
CONPLAN	NORAD Contingency Plan
COSPAS-SARSAT	Cosmicheskaya Sistyema Poiska Avariynich Sudov – Search and Rescue Satellite-Aided Tracking

CPSA	Cyber Protection Supply Arrangement
CRTI	Canadian Research and Technology Initiative
CRS	Chief Review Services
CS	Computer Systems Administration
CSE	Communications Security Establishment
CSIS	Canadian Security Intelligence Service
CTTC	Counter-Terrorism Technology Centre
CWO	Chief Warrant Officer

D

DAIP	Director Access to Information and Privacy
DART	Disaster Assistance Response Team
DFAIT	Department of Foreign Affairs and International Trade
DFO	Department of Fisheries and Oceans
DIEADS	Defence IE Application Development and Support
DHRIM	Director Human Resources Information Management
DLN	Defence Learning Network
DMASc	Diploma of Military Arts and Sciences
DMC	Defence Management Committee
DND	Department of National Defence
DOCC	Defence Oversight Committee on Contracting
DOTEN	Directorate of Operational Training and Educational Needs
DPALC	Defence Public Affairs Learning Centre
DPR	Departmental Performance Report
DRDC	Defence Research and Development Canada
DSFC	Director Strategic Finance and Costing
DWAN	Defence-Wide Area Network

E

EN	Engineering and Land Survey
ERC	Expenditure Review Committee
EPR	Enterprise Resource Planning
ESA	Essential Services Agreement
EX	Executive Group

F

FAA	Financial Administration Act
FDS	Financial Decision Support
Fin CS	Finance and Corporate Services
FMAS	Financial Managerial Accounting System
FTE	Full Time Equivalent
FY	Fiscal Year

G

GL	General Labour and Trades Group

H

HMCS	Her Majesty's Canadian Ship
HR	Human Resources
HRMS	Human Resources Management System
HUMINT	Human Intelligence

I

ICSAR	Interdepartmental Committee on Search and Rescue
IED	Improvised Explosive Device
IM	Information Management
IMRS	Integrated Managed Readiness System
ISAF	International Security Assistance Force
ISOM	Integrated Signals Intelligence Operational Model
IT	Information Technology
IT&E	Individual Training and Education
ITAR	International Traffic in Arms Regulations
ITEE	Integrated Tactical Effects Experiment

J

JAG	Judge Advocate General
JCR	Junior Cadet Rangers
JIIFC	Joint Information and Intelligence Fusion Capability
JNBCD Coy	Joint Nuclear, Biological and Chemical Defence Company
JRCC	Joint Rescue Coordination Centre
JSS	Joint Support Ship
JTF Afg	Joint Task Force Afghanistan

L

LAVW	Light Armoured Vehicle, Wheeled
LCC	Learning and Career Centre
LF ISTAR	Land Force Intelligence, Surveillance, Target Acquisition and Reconnaissance Omnibus Project
LFC	Land Force Command
LMA	Labour Market Availability
LPD	Leadership Professional Development

M

MA&S	Materiel Acquisition and Support
MAF	Management Accountability Framework
MASIS	Materiel Acquisition and Support Information Management System
MANPADS	Man-Portable Air Defence System
MDEA	Master Data Exchange Agreement
MILPERSCOM	Military Personnel Command
MLVW	Medium Logistics Vehicle Wheeled

MOSART	Military Occupational Structure Analysis Redesign and Tailoring Project
MP	Member of Parliament
MRRS	Management, Resources and Results Structure
MSVS	Medium Support Vehicle System
MTAP	Military Training and Assistance Program

N

NATO	North Atlantic Treaty Organization
NFTC	NATO Flying Training Program in Canada
NORAD	North American Aerospace Defence Command
NSS	National Search and Rescue Secretariat

O

OAG	Office of the Auditor General
OLA	Official Languages Act
OMB	Office of the Ombudsman
OPI	Office of Primary Interest
OS Engr Gp	Operational Support Engineering Group
OSCE	Organization for Security and Co-Operation in Europe

P

PA	Public Affairs
PAA	Program Activity Architecture
PAO	Public Affairs Officer
PARRA	Production, Attrition, Recruiting, Retention and Analysis
PAT	Personnel Awaiting Training
PC	Privy Council
PCMAF	People Component Management Accountability Framework
PCO	Privy Council Office
PG	Purchasing and Supply
PMF	Performance Management Framework
PRETC	Post Recruit Training and Education Centre
PRL	Primary Reserve List
PSAT	Public Security and Anti-Terrorism
PSC	Public Service Commission
PSEA	Public Service Employment Act
PSES	Public Service Employee Survey
PSI	Proliferation Security Initiative
PSST	Public Service Staffing Tribunal
PSTP	Public Security Technical Program
PSYOPS	Psychological Operations

R

R&S	Readiness and Sustainment
RFID	Radio Frequency Identification

RJTF	Regional Joint Task Forces
RCAF	Royal Canadian Air Force
RCMP	Royal Canadian Mounted Police
RPSR	Revised Pay System for the Reserves
RTO	NATO Research and Technology Organization

S

SAMM	Strategic Asset Management Model
SAR	Search and Rescue
SAR NIF	Search and Rescue New Initiatives Fund Exercise
SAREX	Search and Rescue Exercise
SARSUMS	Search and Rescue Summaries
SCF	Standing Contingency Force
SCOPA	Standing Committee on Public Accounts
SIGINT	Signals Intelligence
SNMG	Standing NATO Maritime Group
SO	Ships' Officers
SR	Ship Repair
SWE	Salary Wage Envelope

T

TBS	Treasury Board Secretariat
TTCP	The Technical Cooperation Program
TRDP	Technology Research and Development Projects

U

UN	United Nations
US	United States
USAF	United States Air Force
USNORTHCOM	United States Northern Command
USS	United States Ship
UXO	Unexploded Explosive Ordnance

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